REPORT NO. 2014-123
MARCH 2014

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

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

	District No.
Cloud E. Hailey, Vice Chair to 11-19-12, Chair from 11-20-12	1
Robert B. Clemons	2
Robert G. Rankin to 11-19-12	3
Michelle Walker-Crawford from 11-20-12	3
Julie C. Thomas, Vice Chair from 11-20-12	4
K. Michelle Carter to 11-19-12, Chair (1)	5
D. Deen Lancaster from 12-21-12 (1)	5

Robert G. Rankin, Superintendent from 11-20-12
Donald A. Thomas, Superintendent to 11-19-12

Note (1): Board member position remained vacant from 11-20-12 to 12-20-12.

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

The audit team leader was John Davisson, CPA, and the audit was supervised by Philip B. Ciano, CPA. For the information technology portion of this audit, the audit team leader was Bill Allbritton, CISA, and supervised by Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

GILCHRIST COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered a material weakness.

SIGNIFICANT DEFICIENCY

Finding No. 1: Some inappropriate or unnecessary information technology (IT) access privileges existed.

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. 2: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 3: The District did not timely perform required background rescreenings for certain noninstructional employees.

Finding No. 4: Controls over facilities maintenance activities could be enhanced.

Finding No. 5: District IT security controls related to user authentication and logging and monitoring of system activity needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, Twenty-First Century, and Teacher Incentive Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: The District did not competitively select certain evaluation services, contrary to Federal regulations.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**

- **Taken corrective actions for findings included in our report No. 2013-099.**

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gilchrist County District School Board, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 41 percent of the assets and 69 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Gilchrist 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, 2013. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- The District's total net position decreased by $2,032,324.86, or 4.7 percent, from the 2011-12 fiscal year.
- General revenues total $21,576,149.33, or 92.3 percent of all revenues in the 2012-13 fiscal year, compared to $21,438,474.94, or 92.1 percent in the 2011-12 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $1,796,823.08, or 7.7 percent of all revenues, compared to $1,849,328.21, or 7.9 percent in the 2011-12 fiscal year.
- Expenses total $25,405,297.27. Only $1,796,823.08 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled $1,423,356.03 at June 30, 2013, or 7.4 percent of General Fund expenditures. The prior fiscal year sum of the assigned and unassigned fund balances in the General Fund was $1,877,654.12, or 9.5 percent of total General Fund expenditures.
- During the 2012-13 fiscal year, General Fund expenditures exceeded revenues and other financing sources by $432,859.51. This may be compared to the 2011-12 fiscal year results, in which General Fund expenditures exceeded revenues and other financing sources by $982,277.91.
- During the 2012-13 fiscal year, the District completed renovation of the parent drop-off/pick-up area at Trenton Elementary School at a cost of $123,663.01.
- The District's student enrollment decreased by 71 students, or 2.8 percent, from the 2011-12 fiscal year; consequently, State revenues received through the Florida Education Finance Program, which is based in part on student enrollment, decreased.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- 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 position 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

position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities equal net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, State revenues, and Federal revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Fund Financial Statements

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, Special Revenue – Teacher Incentive Fund, and Capital Projects – Local Capital Improvement 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 agency funds to account for resources held for student activities and groups, to account for the activity of the employee medical and dependent child care reimbursement program, and to account for resources received and disbursed in a fiscal agent capacity related to the Federal Teacher Incentive Fund program.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position, End of Year

	Governmental Activities	
	6-30-13	6-30-12
Current and Other Assets	$ 2,593,032.24	$ 3,131,248.14
Capital Assets	40,395,243.61	41,552,120.24
Total Assets	42,988,275.85	44,683,368.38
Long-Term Liabilities	1,623,498.84	1,442,738.05
Other Liabilities	296,612.45	140,140.91
Total Liabilities	1,920,111.29	1,582,878.96
Net Position:		
Net Investment in Capital Assets	40,130,243.61	41,222,120.24
Restricted	873,063.76	1,111,467.47
Unrestricted	64,857.19	766,901.71
Total Net Position	$ 41,068,164.56	$ 43,100,489.42

The largest portion of the District's net position (97.7 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net position (2.1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (0.2 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-13	6-30-12
Program Revenues:		
Charges for Services	$ 611,557.24	$ 625,345.43
Operating Grants and Contributions	1,088,031.61	1,123,599.09
Capital Grants and Contributions	97,234.23	100,383.69
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,063,683.27	4,066,036.81
Property Taxes, Levied for Capital Projects	950,787.55	955,030.29
Grants and Contributions Not Restricted to Specific Programs	16,004,289.51	15,904,057.84
Unrestricted Investment Earnings	165,354.77	129,713.12
Miscellaneous	392,034.23	383,636.88
Total Revenues	23,372,972.41	23,287,803.15
Functions/Program Expenses:		
Instruction	12,735,644.69	13,570,722.36
Pupil Personnel Services	1,257,590.57	1,240,823.87
Instructional Media Services	228,826.50	219,648.22
Instruction and Curriculum Development Services	542,769.10	572,767.12
Instructional Staff Training Services	155,803.49	89,907.50
Instruction Related Technology	204,936.20	189,859.92
School Board	292,349.00	274,859.73
General Administration	310,192.09	304,494.73
School Administration	1,152,037.43	1,115,204.23
Facilities Acquisition and Construction	235,946.23	176,669.75
Fiscal Services	343,204.61	324,810.83
Food Services	1,540,803.15	1,557,670.04
Central Services	759,846.27	255,137.20
Pupil Transportation Services	1,209,901.73	1,241,663.19
Operation of Plant	2,027,306.06	1,981,889.49
Maintenance of Plant	990,223.32	814,645.54
Administrative Technology Services	7,937.97	29,742.13
Community Services	56,454.19	102.69
Unallocated Interest on Long-Term Debt	18,175.10	20,405.10
Unallocated Depreciation Expense	1,335,349.57	1,352,198.59
Loss on Disposal of Capital Assets		36,157.43
Total Functions/Program Expenses	25,405,297.27	25,369,379.66
Change in Net Position	(2,032,324.86)	(2,081,576.51)
Net Position - Beginning	43,100,489.42	45,182,065.93
Net Postion - Ending	$ 41,068,164.56	$ 43,100,489.42

The largest revenue source is the State of Florida (57.4 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by $100,231.67, or 0.6 percent, primarily due to the receipt of a $555,765.90 Federal Teacher Incentive Fund grant in 2012-13 fiscal year, offset by a decrease of $338,156.83 in funding for the Federal Twenty-First Century Community Learning Centers program.

Central services expense increased by $504,709.07, primarily due to expenses related to the new Federal Teacher Incentive Fund grant.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $1,325,257.32, while the total fund balance is $1,553,018.94. The unassigned fund balance decreased by $477,480.02, while total fund balance decreased by $432,859.51. Key factors impacting the change in fund balance are as follows:

- State revenue decreased by $91,441, or 0.7 percent, primarily due to a decrease in FEFP revenue as a result of declining enrollment.
- Total expenditures decreased by $405,646.09, or 2.1 percent, due in part, to austerity measures taken by the Board; however, expenditures still exceeded revenues by $1,132,859.51.

The Special Revenue – Other Fund accounted for Federal grants administered through the State's cash advance system. This fund accounted for $2,008,224.57 in revenues and expenditures each for the 2012-13 fiscal year. This represents a decrease of $293,432.18 from the previous fiscal year. This decrease was due to a decrease in Federal funding received through the Florida Department of Education, primarily related to the decrease in funding for the Twenty-First Century Community Learning Centers program.

The Special Revenue – Federal Economic Stimulus Fund is used to account for the Federal projects authorized by the American Recovery and Reinvestment Act (ARRA). This fund accounted for $80,780.08 in revenues and expenditures each for the 2012-13 fiscal year. Revenues and expenditures each decreased $79,077.62 from the previous fiscal year due to the ongoing expiration of ARRA grants.

The Special Revenue – Teacher Incentive Fund is used to account for the Federal Teacher Incentive Fund program. This fund accounted for $555,765.90 in revenues and expenditures each for the 2012-13 fiscal year, its first year of funding. The grant for this program was submitted by the Northeast Florida Educational Consortium on behalf of nine member districts. Grant dollars are to be used to develop a sustainable performance-based instructional salary schedule and to provide in-service training for teachers.

Because the District's three major special revenue funds discussed above recognize revenue to the extent of eligible expenditures, these funds do not generally accumulate fund balance.

The Capital Projects – Local Capital Improvement Fund, which accounts for financial resources of the capital improvement tax levy, had revenues and expenditures of $952,532.56 and $425,847.87, respectively, and ended the fiscal year with a fund balance of $440,263.90. Fund balance decreased by $173,315.31, primarily from increased transfers out over the previous fiscal year. The financial resources are generally restricted for the acquisition, construction, and maintenance of the District's capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted revenues and expenditures were in line with the original budgeted amounts. Actual revenues equal the final budgeted amounts, while actual expenditures are $670,382.32 less than final budget amounts, primarily due to continued cost containment measures implemented by the District, coupled with an increase in transfers in from the Local Capital Improvement Fund. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $670,382.32.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is $40,395,243.61 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The District has two elementary schools and two middle/high schools.

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

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of $265,000, comprised of State Board of Education bonds. There are two separate bond issues maturing in fiscal years ended 2016 and 2020. These bonds are paid from special State allocations for debt service. During the fiscal year, the retirement of debt was $65,000.

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

OTHER MATTERS OF SIGNIFICANCE

The Board is carefully monitoring its financial condition in an environment of uncertain State and Federal resources. Student growth is becoming more of a concern as projections for the 2013-14 fiscal year reflect another decrease in student population. While projections for 2013-14 fiscal year reflect an increase in General Fund revenues, there are some automatic expenditure increases that offset most of the increase in funding. In light of uncertain economic times, the District will continue to closely monitor its financial position. If revenues continue to fall, the District will be faced with challenges to make changes in order to keep the District financially sound.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning information provided in the MD&A, other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to David Dose, Director of Finance, 310 NW 11th Avenue, Trenton, Florida 32693.

BASIC FINANCIAL STATEMENTS

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 1,879,904.65
Cash with Fiscal Agent	138,201.11
Investments	9,245.31
Accounts Receivable	3,510.81
Due from Other Agencies	520,245.04
Inventories	41,925.32
Capital Assets:	
Nondepreciable Capital Assets	288,351.13
Depreciable Capital Assets, Net	40,106,892.48
TOTAL ASSETS	$ 42,988,275.85
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts Payable	$ 178,689.74
Due to Other Agencies	59,135.19
Unearned Revenue	36,750.52
Estimated Insurance Claims Payable	22,037.00
Long-Term Liabilities:	
Portion Due Within One Year	232,426.92
Portion Due After One Year	1,391,071.92
TOTAL LIABILITIES	1,920,111.29
Net Position:	
Net Investment in Capital Assets	40,130,243.61
Restricted for:	
State Required Carryover Programs	15,369.32
Debt Service	8,541.88
Capital Projects	561,811.19
Food Service	173,047.78
Insurance	114,293.59
Unrestricted	64,857.19
TOTAL NET POSITION	41,068,164.56
TOTAL LIABILITIES AND NET POSITION	$ 42,988,275.85

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 12,735,644.69	$ 127,691.50	$	$	$ (12,607,953.19)
Pupil Personnel Services	1,257,590.57				(1,257,590.57)
Instructional Media Services	228,826.50				(228,826.50)
Instruction and Curriculum Development Services	542,769.10				(542,769.10)
Instructional Staff Training Services	155,803.49				(155,803.49)
Instruction Related Technology	204,936.20				(204,936.20)
School Board	292,349.00				(292,349.00)
General Administration	310,192.09				(310,192.09)
School Administration	1,152,037.43				(1,152,037.43)
Facilities Acquisition and Construction	235,946.23			17,106.99	(218,839.24)
Fiscal Services	343,204.61				(343,204.61)
Food Services	1,540,803.15	388,424.56	1,088,031.61		(64,346.98)
Central Services	759,846.27				(759,846.27)
Pupil Transportation Services	1,209,901.73	7,873.18			(1,202,028.55)
Operation of Plant	2,027,306.06				(2,027,306.06)
Maintenance of Plant	990,223.32				(990,223.32)
Administrative Technology Services	7,937.97				(7,937.97)
Community Services	56,454.19	87,568.00			31,113.81
Unallocated Interest on Long-Term Debt	18,175.10			80,127.24	61,952.14
Unallocated Depreciation Expense*	1,335,349.57				(1,335,349.57)
Total Governmental Activities	$ 25,405,297.27	$ 611,557.24	$ 1,088,031.61	$ 97,234.23	$ (23,608,474.19)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					4,063,683.27
Property Taxes, Levied for Capital Projects					950,787.55
Grants and Contributions Not Restricted to Specific Programs					16,004,289.51
Unrestricted Investment Earnings					165,354.77
Miscellaneous					392,034.23
Total General Revenues					21,576,149.33
Change in Net Position					(2,032,324.86)
Net Position - Beginning					43,100,489.42
Net Position - Ending					$ 41,068,164.56

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

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 1,179,337.99	$	$ 28,851.47
Cash with Fiscal Agent	138,201.11		
Investments	703.43		
Accounts Receivable	3,510.81		
Due from Other Funds	194,649.77		
Due from Other Agencies	174,629.00	209,260.01	
Inventories			
TOTAL ASSETS	$ 1,691,032.11	$ 209,260.01	$ 28,851.47
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 115,976.17	$ 37,319.24	$
Due to Other Funds		171,940.77	
Due to Other Agencies			
Unearned Revenue			28,851.47
Estimated Insurance Claims Payable	22,037.00		
Total Liabilities	138,013.17	209,260.01	28,851.47
Fund Balances:			
Nonspendable:			
Inventories			
Restricted for:			
State Required Carryover Programs	15,369.32		
Debt Service			
Capital Projects			
Food Service			
Insurance	114,293.59		
Total Restricted Fund Balance	129,662.91		
Assigned for:			
Purchases on Order	98,098.71		
Unassigned Fund Balance	1,325,257.32		
Total Fund Balances	1,553,018.94		
TOTAL LIABILITIES AND FUND BALANCES	$ 1,691,032.11	$ 209,260.01	$ 28,851.47

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

Special Revenue - Teacher Incentive Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$ 440,263.90	$ 231,451.29	$ 1,879,904.65
			138,201.11
		8,541.88	9,245.31
			3,510.81
			194,649.77
92,789.19		43,566.84	520,245.04
		41,925.32	41,925.32
$ 92,789.19	$ 440,263.90	$ 325,485.33	$ 2,787,682.01
$ 10,945.00	$	$ 14,449.33	$ 178,689.74
22,709.00			194,649.77
59,135.19			59,135.19
		7,899.05	36,750.52
			22,037.00
92,789.19		22,348.38	491,262.22
		41,925.32	41,925.32
			15,369.32
		8,541.88	8,541.88
	440,263.90	121,547.29	561,811.19
		131,122.46	131,122.46
			114,293.59
	440,263.90	261,211.63	831,138.44
			98,098.71
			1,325,257.32
	440,263.90	303,136.95	2,296,419.79
$ 92,789.19	$ 440,263.90	$ 325,485.33	$ 2,787,682.01

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

Total Fund Balances - Governmental Funds		$ 2,296,419.79
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		40,395,243.61
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	$ 265,000.00	
Compensated Absences Payable	889,300.84	
Other Postemployment Benefits Payable	469,198.00	(1,623,498.84)
Net Position - Governmental Activities		$ 41,068,164.56

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

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GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 64,901.87	$	$
Federal Through State and Local		2,008,224.57	80,780.08
State	13,294,084.19		
Local:			
Property Taxes	4,063,683.27		
Charges for Services - Food Service			
Miscellaneous	777,549.01		
Total Local Revenues	4,841,232.28		
Total Revenues	18,200,218.34	2,008,224.57	80,780.08
Expenditures			
Current - Education:			
Instruction	10,975,444.58	1,556,824.79	42,299.01
Pupil Personnel Services	1,116,838.31	120,380.40	4,141.02
Instructional Media Services	224,435.46		1,467.96
Instruction and Curriculum Development Services	411,508.27	120,689.17	1,864.96
Instructional Staff Training Services	23,127.92	108,533.43	17,765.18
Instruction Related Technology	194,512.87		8,000.00
School Board	292,349.00		
General Administration	265,983.22	40,822.19	
School Administration	1,132,363.12		3,155.10
Facilities Acquisition and Construction			
Fiscal Services	339,279.63		
Food Services	4,042.67		
Central Services	206,639.41	2,456.28	
Pupil Transportation Services	1,069,832.25		
Operation of Plant	2,022,204.29		2,086.85
Maintenance of Plant	985,170.65		
Administrative Technology Services	7,937.97		
Community Services	55,952.80		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	5,455.43	58,518.31	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	19,333,077.85	2,008,224.57	80,780.08
Excess (Deficiency) of Revenues Over Expenditures	(1,132,859.51)		
Other Financing Sources (Uses)			
Transfers In	700,000.00		
Transfers Out			
Total Other Financing Sources (Uses)	700,000.00		
Net Change in Fund Balances	(432,859.51)		
Fund Balances, Beginning	1,985,878.45		
Fund Balances, Ending	$ 1,553,018.94	$ 0.00	$ 0.00

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

Special Revenue - Teacher Incentive Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 555,765.90	$	$	$ 620,667.77
		1,066,744.61	3,155,749.26
		119,054.13	13,413,138.32
	950,787.55		5,014,470.82
		388,424.56	388,424.56
	1,745.01	1,227.66	780,521.68
	952,532.56	389,652.22	6,183,417.06
555,765.90	952,532.56	1,575,450.96	23,372,972.41
			12,574,568.38
			1,241,359.73
			225,903.42
991.19			535,053.59
6,376.96			155,803.49
			202,512.87
			292,349.00
			306,805.41
			1,135,518.22
	235,946.23		235,946.23
			339,279.63
		1,526,281.39	1,530,324.06
548,397.75			757,493.44
			1,069,832.25
			2,024,291.14
			985,170.65
			7,937.97
			55,952.80
	123,663.01		123,663.01
	66,238.63	54,507.09	184,719.46
		65,000.00	65,000.00
		18,175.10	18,175.10
555,765.90	425,847.87	1,663,963.58	24,067,659.85
	526,684.69	(88,512.62)	(694,687.44)
			700,000.00
	(700,000.00)		(700,000.00)
	(700,000.00)		
	(173,315.31)	(88,512.62)	(694,687.44)
	613,579.21	391,649.57	2,991,107.23
$ 0.00	$ 440,263.90	$ 303,136.95	$ 2,296,419.79

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Governmental Funds	$	(694,687.44)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in excess of capital outlays in the current fiscal year.		(1,156,876.63)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments in the current fiscal year.		65,000.00
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 fiscal year.		(183,396.79)
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.		(62,364.00)
Change in Net Position - Governmental Activities	$	(2,032,324.86)

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

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2013

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	309,051.16
Due from Other Agencies		99,205.12
TOTAL ASSETS	$	408,256.28
LIABILITIES		
Accounts Payable	$	10,133.16
Due to Other Agencies		99,205.12
Internal Accounts Payable		298,918.00
TOTAL LIABILITIES	$	408,256.28

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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

B. Reporting Entity

The Gilchrist County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Gilchrist County.

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

C. Basis of Presentation: Government-wide Financial Statements

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

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Special Revenue – Teacher Incentive Fund – to account for the District's portion of a Federal direct grant received by the District on behalf of nine district school boards to provide collaboration and guidance in developing a sustainable teacher performance pay system.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities; to account for the District employees' medical and dependent care reimbursement program; and to account for resources received and disbursed in a fiscal agent capacity related to the Federal Teacher Incentive Fund program.

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

E. Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

1. Cash and Cash Equivalents

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

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida

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

Statutes. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

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

3. Inventories

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

Description	Estimated Lives
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish

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

limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2013.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

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

3. District Property Taxes

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

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

The Board adopted the 2012 tax levy on September 18, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Federal Revenue Sources

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

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DISTRICT SCHOOL BOARD
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JUNE 30, 2013

5. Compensated Absences Payable

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance based on average daily balances.

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 1,634,663.62
Fund B	3.98 Year Average	703.43
Debt Service Accounts	6 Months	8,541.88
Total Investments		$ 1,643,908.93

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

- Interest Rate Risk

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

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not

discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

- Credit Risk

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

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

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 288,351.13	$	$	$ 288,351.13
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,967,651.76	123,663.01	772.83	2,090,541.94
Buildings and Fixed Equipment	57,195,659.39			57,195,659.39
Furniture, Fixtures, and Equipment	2,017,238.47	89,359.46	49,926.49	2,056,671.44
Motor Vehicles	2,520,124.00	95,360.00	94,958.00	2,520,526.00
Audio Visual Materials and Computer Software	600,521.54			600,521.54
Total Capital Assets Being Depreciated	64,301,195.16	308,382.47	145,657.32	64,463,920.31
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,648,779.83	52,327.21	772.83	1,700,334.21
Buildings and Fixed Equipment	17,190,482.71	1,134,255.32		18,324,738.03
Furniture, Fixtures, and Equipment	1,750,689.76	103,195.40	49,926.49	1,803,958.67
Motor Vehicles	1,938,095.48	129,909.53	94,958.00	1,973,047.01
Audio Visual Materials and Computer Software	509,378.27	45,571.64		554,949.91
Total Accumulated Depreciation	23,037,426.05	1,465,259.10	145,657.32	24,357,027.83
Total Capital Assets Being Depreciated, Net	41,263,769.11	(1,156,876.63)		40,106,892.48
Governmental Activities Capital Assets, Net	$ 41,552,120.24	$ (1,156,876.63)	$ 0.00	$ 40,395,243.61

GILCHRIST COUNTY
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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 129,909.53
Unallocated	1,335,349.57
Total Depreciation Expense - Governmental Activities	$ 1,465,259.10

D. Florida Retirement System

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, Elected

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DISTRICT SCHOOL BOARD
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County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
FRS, Senior Management Service	3.00	6.30
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled $1,384,898.80, $914,545.53, and $1,074,590.81, respectively, which were equal to the required contributions for each fiscal year.

There were 37 District participants in the Investment Plan during the 2012-13 fiscal year. Required District and employee contributions made to the Investment Plan totaled $77,862.32 and $42,285.68, respectively, which were equal to the required contributions for the 2012-13 fiscal year.

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

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly

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JUNE 30, 2013

subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Benefits Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 30 retirees received other postemployment benefits. The District provided required contributions of $54,608 toward the annual OPEB cost, net of retiree contributions totaling $140,259, which represents 1.2 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	$ 80,751
Amortization of Unfunded Actuarial Accrued Liability	41,743
Interest on Normal Cost and Amortization	827
Annual Required Contribution	123,321
Interest on Net OPEB Obligation	16,273
Adjustment to Annual Required Contribution	(22,622)
Annual OPEB Cost (Expense)	116,972
Contribution Toward the OPEB Cost	(54,608)
Change in Net OPEB Obligation	62,364
Net OPEB Obligation, Beginning of Year	406,834
Net OPEB Obligation, End of Year	$ 469,198

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 170,115	37.8%	$ 293,206
2011-12	177,909	36.1%	406,834
2012-13	116,972	46.7%	469,198

Funded Status and Funding Progress. As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $1,157,522, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,157,522 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $12,185,454, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.5 percent.

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

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

The District's OPEB actuarial valuation as of July 1, 2012, used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2013, and the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included an annual healthcare cost trend rate of 10 percent initially for the 2013-14 fiscal year, reduced to an ultimate rate of 5 percent after 20 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 30 year period. The remaining amortization period at June 30, 2013, was 25 years.

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

F. Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2013:

Major Funds					
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 98,098.71	$ 40,058.28	$ 53,200.00	$ 391.52	$ 38,400.00	$ 230,148.51

G. Risk Management Programs

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

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

Health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

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

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

Fiscal Years	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	$ 24,721.45	$ 161,372.13	$ (162,186.06)	$ 23,907.52
2012-13	23,907.52	150,001.36	(151,871.88)	22,037.00

H. Long-Term Liabilities

1. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	$ 185,000	5.0	2016
Series 2005B, Refunding	80,000	5.0	2020
Total Bonds Payable	$ 265,000		

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	$ 78,250	$ 65,000	$ 13,250
2015	80,000	70,000	10,000
2016	81,500	75,000	6,500
2017	12,750	10,000	2,750
2018	17,250	15,000	2,250
2019-2020	32,250	30,000	2,250
Total State School Bonds	$ 302,000	$ 265,000	$ 37,000

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

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 330,000.00	$	$ 65,000.00	$ 265,000.00	$ 65,000.00
Compensated Absences Payable	705,904.05	350,823.71	167,426.92	889,300.84	167,426.92
Other Postemployment Benefits Payable	406,834.00	116,972.00	54,608.00	469,198.00	
Total Governmental Activities	$ 1,442,738.05	$ 467,795.71	$ 287,034.92	$ 1,623,498.84	$ 232,426.92

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

I. Fund Balance Reporting

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

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

J. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 194,649.77	$
Special Revenue:		
Other		171,940.77
Teacher Incentive		22,709.00
Total	$ 194,649.77	$ 194,649.77

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

The receivables in the General Fund were established when paying obligations of the Special Revenue - Other Fund and Special Revenue - Teacher Incentive Fund, prior to these funds receiving cash from the grantor agency. The amounts are expected to be repaid within one year.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 9,975,097.00
Categorical Educational Program - Class Size Reduction	2,693,211.00
School Recognition	167,913.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	97,234.13
Food Service Supplement	21,820.00
Mobile Home License Tax	16,553.34
Miscellaneous	441,309.85
Total	$ 13,413,138.32

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

2. Property Taxes

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.544	$ 3,608,231.22
Prior Period Funding Adjustment Millage	0.121	78,751.08
Basic Discretionary Local Effort	0.748	486,824.85
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	976,253.04
Total	7.913	$ 5,150,060.19

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

L. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 700,000	$
Capital Projects:		
Local Capital Improvement		700,000
Total	$ 700,000	$ 700,000

Interfund transfers represent the permanent transfer of moneys between funds. The transfer from the Capital Projects – Local Capital Improvement Fund to the General Fund was to reimburse the General Fund for allowable expenditures for risk management property and casualty insurance, and for maintenance-related salaries and expenditures.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 65,000.00	$ 64,901.87	$ 64,901.87	$
Federal Through State and Local				
State	13,912,834.50	13,294,084.19	13,294,084.19	
Local:				
Property Taxes	3,982,517.00	4,063,683.27	4,063,683.27	
Miscellaneous	240,282.97	777,549.01	777,549.01	
Total Local Revenues	4,222,799.97	4,841,232.28	4,841,232.28	
Total Revenues	18,200,634.47	18,200,218.34	18,200,218.34	
Expenditures				
Current - Education:				
Instruction	11,345,041.68	11,249,815.67	10,975,444.58	274,371.09
Pupil Personnel Services	1,159,745.88	1,192,431.10	1,116,838.31	75,592.79
Instructional Media Services	222,958.44	226,805.28	224,435.46	2,369.82
Instruction and Curriculum Development Services	415,640.68	412,258.44	411,508.27	750.17
Instructional Staff Training Services	15,018.00	27,590.20	23,127.92	4,462.28
Instruction Related Technology	191,821.77	207,756.14	194,512.87	13,243.27
School Board	282,733.46	293,280.80	292,349.00	931.80
General Administration	255,057.24	266,376.98	265,983.22	393.76
School Administration	1,116,239.55	1,147,740.47	1,132,363.12	15,377.35
Facilities Acquisition and Construction	11,750.00			
Fiscal Services	338,176.27	347,428.28	339,279.63	8,148.65
Food Services	2,842.93	4,462.86	4,042.67	420.19
Central Services	218,714.30	215,445.52	206,639.41	8,806.11
Pupil Transportation Services	1,123,376.97	1,127,109.53	1,069,832.25	57,277.28
Operation of Plant	2,064,546.65	2,107,161.87	2,022,204.29	84,957.58
Maintenance of Plant	820,593.79	1,094,924.60	985,170.65	109,753.95
Administrative Technology Services	17,475.00	21,002.00	7,937.97	13,064.03
Community Services		56,415.00	55,952.80	462.20
Fixed Capital Outlay:				
Other Capital Outlay		5,455.43	5,455.43	
Total Expenditures	19,601,732.61	20,003,460.17	19,333,077.85	670,382.32
Excess (Deficiency) of Revenues Over Expenditures	(1,401,098.14)	(1,803,241.83)	(1,132,859.51)	670,382.32
Other Financing Sources				
Transfers In	550,000.00	700,000.00	700,000.00	
Total Other Financing Sources	550,000.00	700,000.00	700,000.00	
Net Change in Fund Balances	(851,098.14)	(1,103,241.83)	(432,859.51)	670,382.32
Fund Balances, Beginning	1,985,878.45	1,985,878.45	1,985,878.45	
Fund Balances, Ending	$ 1,134,780.31	$ 882,636.62	$ 1,553,018.94	$ 670,382.32

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 1,051,149.60	$ 2,361,397.88	$ 2,008,224.57	$ (353,173.31)	$ 20,983.50	$ 229,078.24	$ 80,780.08	$ (148,298.16)
1,051,149.60	2,361,397.88	2,008,224.57	(353,173.31)	20,983.50	229,078.24	80,780.08	(148,298.16)
700,874.37	1,731,322.29	1,556,824.79	174,497.50	16,591.00	57,899.64	42,299.01	15,600.63
143,050.00	157,228.64	120,380.40	36,848.24		4,141.02	4,141.02	
					1,467.96	1,467.96	
87,059.26	159,407.00	120,689.17	38,717.83	3,477.50	4,839.16	1,864.96	2,974.20
81,286.00	190,110.87	108,533.43	81,577.44	915.00	67,283.51	17,765.18	49,518.33
					53,200.00	8,000.00	45,200.00
30,279.97	52,745.24	40,822.19	11,923.05				
					3,155.10	3,155.10	
8,400.00	11,627.53	2,456.28	9,171.25		35,005.00		35,005.00
	238.00		238.00				
					2,086.85	2,086.85	
200.00	200.00		200.00				
	58,518.31	58,518.31					
1,051,149.60	2,361,397.88	2,008,224.57	353,173.31	20,983.50	229,078.24	80,780.08	148,298.16
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS (Continued)
For the Fiscal Year Ended June 30, 2013

	Special Revenue - Teacher Incentive Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 1,384,045.00	$ 1,384,045.00	$ 555,765.90	$ (828,279.10)
Federal Through State and Local				
State				
Local:				
Property Taxes				
Miscellaneous				
Total Local Revenues				
Total Revenues	1,384,045.00	1,384,045.00	555,765.90	(828,279.10)
Expenditures				
Current - Education:				
Instruction				
Pupil Personnel Services				
Instructional Media Services				
Instruction and Curriculum Development Services	489,160.00	489,160.00	991.19	488,168.81
Instructional Staff Training Services	127,000.00	127,000.00	6,376.96	120,623.04
Instruction Related Technology				
School Board				
General Administration				
School Administration				
Facilities Acquisition and Construction				
Fiscal Services				
Food Services				
Central Services	767,885.00	767,885.00	548,397.75	219,487.25
Pupil Transportation Services				
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services				
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay				
Total Expenditures	1,384,045.00	1,384,045.00	555,765.90	828,279.10
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources				
Transfers In				
Total Other Financing Sources				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2008	$ 0	$ 1,272,697	$ 1,272,697	0.0%	$ 11,371,290	11.2%
July 1, 2012	0	1,157,522	1,157,522	0.0%	12,185,454	9.5%

Note: (1) The Distrct's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.

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

I. BUDGETARY BASIS OF ACCOUNTING

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	$ 226,834.11
National School Lunch Program	10.555 (2)	300	802,520.15
Summer Food Service Program for Children	10.559	323	45,513.67
Total United States Department of Agriculture			1,074,867.93
United States Department of Education:			
Direct:			
Teacher Incentive Fund	84.374	N/A	555,765.90
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	595,040.22
Special Education - Preschool Grants	84.173	267	36,371.78
Marion County District School Board:			
Special Education - Grants to States	84.027 (3)	None	7,133.91
Levy County District School Board:			
Special Education - Grants to States	84.027 (3)	None	979.86
Total Special Education Cluster			639,525.77
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 226, 228	580,972.32
Career and Technical Education - Basic Grants to States	84.048	161	66,049.33
Twenty-First Century Community Learning Centers	84.287	122	428,849.49
Rural Education	84.358	110	73,077.23
Education Technology State Grants	84.318	122	95,084.00
Improving Teacher Quality State Grants	84.367	224	132,780.20
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RD211, RG311, RL111	80,780.08
Total Indirect			2,097,118.42
Total United States Department of Education			2,652,884.32
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	64,901.87
Total Expenditures of Federal Awards			$ 3,792,654.12

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

(2) Noncash Assistance - National School Lunch Program. Includes $80,718.90 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: $603,153.99.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-412-2722
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*

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gilchrist County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the Gilchrist County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 6, 2014

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

G74 Claude Pepper Building
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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Gilchrist County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. Our opinion on the major Federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 that we consider to be a significant deficiency.

Management's Response

Management's response to the findings identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 6, 2014

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers
84.374	Teacher Incentive Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SIGNIFICANT DEFICIENCY

Finding No. 1: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned job responsibilities. For example, an employee should not control all critical stages of a transaction process, including performing a combination of functions such as data entry and verification of data, reconciliation to output, or supervisory authorization functions. Periodically reviewing assigned IT access privileges promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job responsibilities.

The District is a participating member of the North East Florida Educational Consortium (NEFEC). In addition to having its own IT employees, the District receives IT services from NEFEC through the educational technology services data center; however, the District had not developed procedures for the periodic review of access privileges. Our test of selected access privileges to the District's finance and human resources (HR) applications disclosed that the director of finance, finance officer, director of HR, payroll coordinator, and a bookkeeper had systemwide access privileges that allowed update access to all functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data and security tables. In response to our inquiry, District personnel indicated that the District provided certain employees systemwide access to allow automatic update privileges following the release of new applications; however, such privileges were unnecessary for these employees and were contrary to an appropriate separation of end-user functions.

The District had certain compensating controls in place (e.g., supervisory monitoring of expenditures and employee activities) to mitigate the control deficiencies noted above and our tests disclosed that District transactions were properly supported. However, the existence of inappropriate and unnecessary access privileges of employees responsible for finance and HR administration indicated a need for an improved assignment of access to functions within these applications and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. In addition, without a review of access privileges, inappropriate or unnecessary access privileges granted may not be timely detected and remediated.

Recommendation: The District should ensure that access privileges assigned enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities. In addition, the District should develop procedures for the review of access privileges.

ADDITIONAL MATTERS

Finding No. 2: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

As of June 2013, the District inadvertently had not posted the 2012-13 fiscal year proposed, tentative, or official budgets, contrary to Section 1011.035(2), Florida Statutes. In July 2013, subsequent to our inquiry, District personnel updated the Web site to include the 2012-13 fiscal year budgets and 2013-14 fiscal year tentative budget. In September 2013, the District adopted the official budget for the 2013-14 fiscal year; however, as of December 2013, the District had not posted the official budget on its Web site. Providing for the required budget transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should enhance its procedures to ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding No. 3: Background Rescreenings

Section 1012.465(2), Florida Statutes, requires that noninstructional employees who are permitted access on school grounds when students are present or who have direct contact with students must undergo background screenings every five years following the initial fingerprinting and screening upon employment. During the 2012-13 fiscal year, the District employed 151 noninstructional employees.

Although noninstructional employees are fingerprinted upon initial employment, the District did not have procedures to ensure that rescreenings of noninstructional employees are performed timely. Our review in June 2013 of District records disclosed that 64 of the 151 noninstructional employees were not rescreened within five years, contrary to law, ranging from 9 to 28 months late. These employees included food service workers, bus drivers, and custodians. Subsequent to our inquiries, the District obtained the required background rescreenings. Absent timely background rescreenings, there is an increased risk that noninstructional employees with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should enhance its procedures to ensure that required background rescreenings are timely performed for noninstructional employees.

Finding No. 4: Facilities Management

The Director of Operations is responsible for coordinating outsourced construction and renovation projects, and oversees maintenance department personnel who are responsible for ensuring facilities are safe and suitable for their intended use. Maintenance department personnel also perform heating, ventilating, air conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the maintenance department employed six full-time 12-month employees and the department's operating cost totaled $1 million, and the District

had no major construction projects. As shown on the District's Five-Year Facilities Work Plan approved by the Board on October 1, 2013, the District planned to spend $3.1 million on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was $59.6 million and, as shown on the Florida Department of Education's Florida Inventory of School Houses data, District facilities had an average age of 30 years.

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

- **Alternative Maintenance Techniques.** Maintenance-related jobs, such as plumbing, electrical and HVAC repairs, are routinely performed by maintenance personnel based on safety and suitability priorities, although some jobs are outsourced to contractors. District personnel indicated that they had not established written policies and procedures for evaluating the various maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial maintenance technique.
- **Accountability**. The maintenance department had not established goals that identify cost-effectiveness or efficiency outcomes. To adequately establish outcome measures, the maintenance department could set goals such as completing maintenance-related jobs that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a job did not initially meet building code requirements, and to compare job costs to industry standards for similar work.

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

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

Finding No. 5: Information Technology – Security Controls – User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to user authentication and logging and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

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

FEDERAL AWARDS FINDING

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Award Number: S374A120029
Program: Teacher Incentive Fund (CFDA No. 84.374)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Procurement. Title 34, Section 80.36(c), Code of Federal Regulations (CFR), requires that all procurement transactions be conducted in a manner providing full and open competition. Subsection (d) also provides, for purchases under $100,000, price or rate quotations should be obtained from an adequate number of qualified sources and, for purchases exceeding $100,000, procurement should be by sealed bid or by competitive proposals. Subsection (b) further provides that grantees are permitted to use their own procurement procedures provided they conform to applicable Federal law and the standards contained in the CFR. Pursuant to State Board of Education (SBE) Rule 6A-1.012, Florida Administrative Code, the District is required to request bids or proposals from three or more sources for any authorized purchase or contract for services exceeding $50,000; however, this requirement is subject to certain professional service exceptions, such as academic program reviews.

In November 2012, the Board approved a $99,000 contract for evaluation services for the period November 2012 through September 2013 to evaluate the impact of a performance-based compensation system on staff performance and student growth. The initial contract provided for annual extensions and, in October 2013, the Board approved a one-year contract extension of $258,000. As District personnel considered academic program reviews exempt from the competitive solicitation requirements of the above SBE Rule, the Board contracted for these services without soliciting price or rate quotations. However, Federal regulations require that all procurement transactions be conducted in a manner providing full and open competition and District records did not demonstrate justification for limiting competition for these services. As such, District records did not evidence that the services were obtained at the lowest price consistent with desired quality and did not demonstrate compliance with Federal regulations.

Recommendation: The District should enhance its procedures to ensure that contractual services paid with Federal funds are obtained pursuant to competitive solicitation as required.

District Contact Person and Title: David Dose, Director of Finance

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2013-099.

MANAGEMENT'S RESPONSE

Management's response is included in Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2013-099 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Cost Principles	Allocations of salaries and benefits charged to the Child Nutrition Cluster program were not adequately documented.	Corrected.	

EXHIBIT A
MANAGEMENT'S RESPONSE

GCSD
GILCHRIST COUNTY SCHOOL DISTRICT
Fulfilling Every Student's Potential
Superintendent Rob Rankin
310 NW 11th Avenue, Trenton, FL 32693
Phone: 352-463-3200
Fax: 352-463-3276
http://gilchristschools.org

February 24, 2014

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

Dear Mr. Martin,

On behalf of the Gilchrist County School Board let me thank you for your staffs' work in the preparation of this audit. Please accept this response for the findings noted in your report.

Finding No. 1: Information Technology – Access Privileges – The District is in the process of streamlining access privileges for employees with "system-wide" access. Procedures will be developed for the review of access privileges.

Finding No. 2: Budget Transparency – Communication and procedures have been enhanced providing for timely posting of budgetary information on the District's website.

Finding No. 3: Background Screenings – Procedures are now in place to ensure that required background screenings are up-to-date.

Finding No. 4: Facilities Management – Studies are ongoing to determine the most cost-effective and efficient solutions for energy management. The district will consider adopting procedures requiring the periodic evaluation of alternative significant maintenance-related job techniques.

Finding No. 5: Information Technology – Security Controls – The District is in the process of improving its security controls related to user authentication and logging and monitoring of system activity.

A Fully Accredited School System – Southern Association of Colleges and Schools
Equal Opportunity Employer

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

GCSD
GILCHRIST COUNTY SCHOOL DISTRICT
Fulfilling Every Student's Potential
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Federal Awards Finding No 1: Contract Procurement – The District now has procedures in place to ensure that awards are made through competitive solicitation of proposals.

Once again, thank you for all you do.

Sincerely,

Rob Rankin
Superintendent of Schools