REPORT NO. 2014-124
MARCH 2014

TAYLOR 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 SUPERINTENDENT

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

	District No.
Danny Glover, Jr.	1
Brenda H. Carlton, Chair	2
Darrell Whiddon	3
Danny Lundy, Vice Chair	4
Kenneth R. Dennis	5

Paul E. Dyal, Superintendent

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

The audit team leader was Cheryl B. Buchanan, CPA, and the audit was supervised by Karen L. Revell, CPA. 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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

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

Finding No. 2: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Federal Pell Grant, Race-to-the-Top, and Head Start 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 noted a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: Controls over the Federal Pell Grant Program were not adequate, resulting in $21,606 of questioned costs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Taylor 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. 2013-129.**

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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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 Taylor 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 14 percent of the assets and 39 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 Taylor County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note II to the financial statements, the Taylor County Education Foundation, Inc., has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2012-13 fiscal year. This affects the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year. Our opinion is not modified with respect to this matter.

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 Taylor 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
February 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Taylor 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 information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- In total, net position decreased $824,972.84, which represents a 2.3 percent decrease from the 2011-12 fiscal year.
- General revenues total $25,707,755.58, or 92.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $2,113,887.87, or 7.6 percent of all revenues.
- Expenses total $28,646,616.29. Only $2,113,887.87 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by $824,972.84.
- The unassigned fund balance of the General Fund, which is available for general appropriation by the Board, totals $4,459,395.84 at June 30, 2013, or 21.9 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 equals 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.

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 and State revenues finance most of these 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds, such as internal service funds, may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's health self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

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

Notes to Financial Statements

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

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	$ 10,385,414.81	$ 11,865,301.09
Capital Assets	29,450,464.90	29,900,996.27
Total Assets	39,835,879.71	41,766,297.36
Long-Term Liabilities	3,434,027.14	3,317,139.59
Other Liabilities	856,276.40	2,078,608.76
Total Liabilities	4,290,303.54	5,395,748.35
Net Position:		
Net Investment in Capital Assets	29,450,464.90	29,900,996.27
Restricted	4,473,887.24	4,620,374.46
Unrestricted	1,621,224.03	1,849,178.28
Total Net Position	$ 35,545,576.17	$ 36,370,549.01

The largest portion of the District's net position (82.8 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment). 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 (12.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (4.6 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole. Positive balances were similarly reported for the prior fiscal year.

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	$ 617,754.51	$ 710,263.91
Operating Grants and Contributions	1,254,608.80	1,266,178.28
Capital Grants and Contributions	241,524.56	261,327.69
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,771,073.50	7,380,422.92
Property Taxes, Levied for Capital Projects	1,882,645.18	1,809,307.24
Grants and Contributions Not Restricted to Specific Programs	15,706,289.16	16,996,335.27
Unrestricted Investment Earnings	7,796.01	46,918.25
Miscellaneous	339,951.73	258,628.20
Total Revenues	27,821,643.45	28,729,381.76
Functions/Program Expenses:		
Instruction	13,729,807.76	12,374,024.50
Pupil Personnel Services	1,651,501.56	1,570,740.26
Instructional Media Services	218,060.30	194,586.37
Instruction and Curriculum Development Services	1,017,644.54	1,045,870.76
Instructional Staff Training Services	208,897.36	268,611.27
Instruction Related Technology	170,021.77	158,325.66
School Board	236,994.50	245,433.33
General Administration	408,394.84	431,873.60
School Administration	1,797,606.74	1,630,021.39
Facilities Acquisition and Construction	476,690.93	1,015,524.95
Fiscal Services	395,167.39	371,255.81
Food Services	1,665,832.83	1,491,314.01
Central Services	339,028.36	357,419.76
Pupil Transportation Services	1,483,917.26	1,764,068.29
Operation of Plant	2,100,418.92	2,445,027.85
Maintenance of Plant	739,187.14	225,073.99
Administrative Technology Services	247,176.23	205,562.74
Community Services	432,891.06	515,871.31
Unallocated Depreciation Expense	1,327,376.80	1,333,478.61
Total Functions/Program Expenses	28,646,616.29	27,644,084.46
Change in Net Position	(824,972.84)	1,085,297.30
Net Position - Beginning	36,370,549.01	35,285,251.71
Net Postion - Ending	$ 35,545,576.17	$ 36,370,549.01

The largest revenue source is the State of Florida (43.1 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula

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

Grants and contributions not restricted to specific programs revenues decreased by $1,290,046.11, or 7.6 percent primarily due to a decrease in Federal stimulus revenue.

Property tax revenues increased by $463,988.52, or 5 percent due to an increase in the total millage rate.

Instruction expenses represent 47.9 percent of total governmental expenses in the 2012-13 fiscal year. Instruction expenses increased by $1,355,783.26, or 11 percent from the previous fiscal year mainly because of salary schedule changes, including a 2.8 percent salary increase.

The District began significant renovation projects in the 2012-13 fiscal year for the Taylor Technical Institute Heating, Ventilation, and Air Conditioning (HVAC) renovations and Administrative Complex Roof Retrofit, resulting in an increase in capitalized renovation expenses.

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 $4,459,395.84, while the total fund balance is $4,726,708.16. The unassigned fund balance increased by $290,556.64, while the total fund balance increased by $315,248.97 during the fiscal year. The key factors in this increase were an increase in property tax collections, an increase in transfers in from the Capital Projects - Local Capital Improvement Fund, and a decrease in transfers out to the internal service fund.

The Special Revenue – Other Fund has total revenues and expenditures of $3,520,296.72 each, and the Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of $150,110.36 each. The resources for these special revenue funds were mainly used for instruction. Because grant revenues attributed to the grants accounted for in these funds are not recognized until expenditures are incurred, these funds generally do not accumulate fund balances. Activities in these funds decreased substantially due to an expiration of some Federal stimulus funding and sequestration holdbacks for other grants.

The Capital Projects – Local Capital Improvement (LCI) Fund has total fund balances of $3,585,958.98, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by $48,006.92 in the current fiscal year compared to an increase of $412,906.04 in the prior fiscal year, primarily due to the commencement of the Taylor Technical Institute HVAC and Administrative Complex reroofing projects. It should be noted that $122,212.72 of fund balance has been encumbered for specific projects.

Proprietary Funds

Unrestricted net position of the internal service fund totaled $464,617.15 at June 30, 2013, which represents a decrease of $433,003.29 from the previous fiscal year. This decrease occurred primarily because of higher than expected insurance claims and administrative expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget several times; however, final budgeted amounts were in line with original budgeted amounts.

Actual revenues are in line with the final budgeted amounts while actual expenditures are $885,161.14, or 4.2 percent less than final budget amounts. The positive variance in expenditures was primarily due to continued cost

containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $937,173.54.

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 $29,450,464.90 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total decrease in capital assets for the current fiscal year was approximately 1.5 percent.

Major capital asset events during the 2012-13 fiscal year included construction in progress for the HVAC renovations at the Taylor Technical Institute and reroofing project at the Administrative Complex.

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

Long-Term Debt

At June 30, 2013, the District has no long-term debt outstanding.

OTHER MATTERS OF SIGNIFICANCE

Approximately 58 percent of total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which in turn will affect the District's revenue streams.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Ashley Valentine, Finance Director, Taylor County District School Board, 318 North Clark Street, Perry, FL 32347.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 3,434,367.79
Investments	5,765,750.58
Accounts Receivable	658.26
Due from Other Agencies	992,103.63
Inventories	192,534.55
Capital Assets:	
Nondepreciable Capital Assets	1,313,686.72
Depreciable Capital Assets, Net	28,136,778.18
TOTAL ASSETS	39,835,879.71
LIABILITIES	
Payroll Deductions and Withholdings	288,521.24
Accounts Payable	325,330.66
Construction Contracts Payable - Retainage	14,705.80
Unearned Revenue	2,534.00
Estimated Insurance Claims Payable	225,184.70
Long-Term Liabilities:	
Portion Due Within One Year	161,035.31
Portion Due After One Year	3,272,991.83
TOTAL LIABILITIES	4,290,303.54
NET POSITION	
Net Investment in Capital Assets	29,450,464.90
Restricted for:	
State Required Carryover Programs	136,074.14
Capital Projects	3,938,764.82
Food Service	399,048.28
Unrestricted	1,621,224.03
TOTAL NET POSITION	$ 35,545,576.17

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

TAYLOR 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	$ 13,729,807.76	$ 213,524.74	$	$	$ (13,516,283.02)
Pupil Personnel Services	1,651,501.56				(1,651,501.56)
Instructional Media Services	218,060.30				(218,060.30)
Instruction and Curriculum Development Services	1,017,644.54				(1,017,644.54)
Instructional Staff Training Services	208,897.36				(208,897.36)
Instruction Related Technology	170,021.77				(170,021.77)
School Board	236,994.50				(236,994.50)
General Administration	408,394.84				(408,394.84)
School Administration	1,797,606.74				(1,797,606.74)
Facilities Acquisition and Construction	476,690.93			241,524.56	(235,166.37)
Fiscal Services	395,167.39				(395,167.39)
Food Services	1,665,832.83	381,057.16	1,254,608.80		(30,166.87)
Central Services	339,028.36				(339,028.36)
Pupil Transportation Services	1,483,917.26	23,172.61			(1,460,744.65)
Operation of Plant	2,100,418.92				(2,100,418.92)
Maintenance of Plant	739,187.14				(739,187.14)
Administrative Technology Services	247,176.23				(247,176.23)
Community Services	432,891.06				(432,891.06)
Unallocated Depreciation Expense*	1,327,376.80				(1,327,376.80)
Total Governmental Activities	$ 28,646,616.29	$ 617,754.51	$ 1,254,608.80	$ 241,524.56	(26,532,728.42)

General Revenues:	
Taxes:	
Property Taxes, Levied for Operational Purposes	7,771,073.50
Property Taxes, Levied for Capital Projects	1,882,645.18
Grants and Contributions Not Restricted to Specific Programs	15,706,289.16
Unrestricted Investment Earnings	7,796.01
Miscellaneous	339,951.73
Total General Revenues	25,707,755.58
Change in Net Position	(824,972.84)
Net Position - Beginning	36,370,549.01
Net Position - Ending	$ 35,545,576.17

* 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.

TAYLOR 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	$ 499,793.26	$	$
Investments	3,994,770.64		
Due from Other Funds	561,117.35		
Due from Other Agencies	129,627.21	596,297.02	39,892.59
Inventories	61,416.61		
TOTAL ASSETS	$ 5,246,725.07	$ 596,297.02	$ 39,892.59
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	$ 242,242.84	$ 34,572.26	$ 1,123.70
Accounts Payable	136,782.68	10,523.54	968.49
Construction Contracts Payable - Retainage			
Due to Other Funds	140,991.39	548,667.22	37,800.40
Unearned Revenue		2,534.00	
Total Liabilities	520,016.91	596,297.02	39,892.59
Fund Balances:			
Nonspendable:			
Inventories	61,416.61		
Restricted for:			
Food Service			
State Required Carryover Programs	136,074.14		
Capital Projects			
Total Restricted Fund Balance	136,074.14		
Assigned for:			
Purchases on Order	69,821.57		
Unassigned Fund Balance	4,459,395.84		
Total Fund Balances	4,726,708.16		
TOTAL LIABILITIES AND FUND BALANCES	$ 5,246,725.07	$ 596,297.02	$ 39,892.59

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 2,081,136.35	$ 415,559.03	$ 2,996,488.64
1,522,617.24		5,517,387.88
		561,117.35
	226,286.81	992,103.63
	131,117.94	192,534.55
$ 3,603,753.59	$ 772,963.78	$ 10,259,632.05
$	$ 10,582.44	$ 288,521.24
3,088.81	925.30	152,288.82
14,705.80		14,705.80
	9,601.92	737,060.93
		2,534.00
17,794.61	21,109.66	1,195,110.79
	131,117.94	192,534.55
	267,930.34	267,930.34
		136,074.14
3,585,958.98	352,805.84	3,938,764.82
3,585,958.98	620,736.18	4,342,769.30
		69,821.57
		4,459,395.84
3,585,958.98	751,854.12	9,064,521.26
$ 3,603,753.59	$ 772,963.78	$ 10,259,632.05

TAYLOR 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		$ 9,064,521.26
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.		29,450,464.90
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		464,617.15
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:		
Compensated Absences Payable	$ 2,734,310.14	
Other Postemployment Benefits Payable	699,717.00	
		(3,434,027.14)
Net Position - Governmental Activities		$ 35,545,576.17

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

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TAYLOR 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	$ 68,942.56	$ 1,380,003.73	$
Federal Through State and Local	232,879.98	2,140,292.99	150,110.36
State	11,733,588.54		
Local:			
Property Taxes	7,771,073.50		
Charges for Services - Food Service			
Miscellaneous	578,012.83		
Total Local Revenues	8,349,086.33		
Total Revenues	20,384,497.41	3,520,296.72	150,110.36
Expenditures			
Current - Education:			
Instruction	11,226,336.56	1,909,035.09	101,095.21
Pupil Personnel Services	1,243,992.82	365,604.34	
Instructional Media Services	208,191.40		
Instruction and Curriculum Development Services	706,123.60	264,892.92	1,260.69
Instructional Staff Training Services	47,138.63	138,605.83	15,540.31
Instruction Related Technology	144,720.80		16,004.32
School Board	229,910.74		
General Administration	273,469.74	123,797.64	3,582.80
School Administration	1,584,093.80	139,011.22	2,213.76
Facilities Acquisition and Construction	11,354.37	7,060.66	
Fiscal Services	369,060.48		
Food Services	9,114.34	30,877.40	
Central Services	284,776.15	7,199.16	10,413.27
Pupil Transportation Services	1,370,918.89	92,132.29	
Operation of Plant	2,048,145.59	44,754.65	
Maintenance of Plant	236,685.16		
Administrative Technology Services	246,130.56		
Community Services	73,669.08	359,221.98	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	1,564.00		
Other Capital Outlay	40,873.29	38,103.54	
Debt Service:			
Interest and Fiscal Charges	5.24		
Total Expenditures	20,356,275.24	3,520,296.72	150,110.36
Excess (Deficiency) of Revenues Over Expenditures	28,222.17		
Other Financing Sources (Uses)			
Transfers In	287,026.80		
Transfers Out			
Total Other Financing Sources (Uses)	287,026.80		
Net Change in Fund Balances	315,248.97		
Fund Balances, Beginning	4,411,459.19		
Fund Balances, Ending	$ 4,726,708.16	$ 0.00	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 1,448,946.29
	1,230,408.80	3,753,692.13
	266,195.56	11,999,784.10
1,882,645.18		9,653,718.68
	381,057.16	381,057.16
11,059.97	66.65	589,139.45
1,893,705.15	381,123.81	10,623,915.29
1,893,705.15	1,877,728.17	27,826,337.81
		13,236,466.86
		1,609,597.16
		208,191.40
		972,277.21
		201,284.77
3,816.11		164,541.23
		229,910.74
		400,850.18
		1,725,318.78
290.00		18,705.03
		369,060.48
	1,594,793.61	1,634,785.35
		302,388.58
		1,463,051.18
		2,092,900.24
498,207.60		734,892.76
		246,130.56
		432,891.06
1,152,371.56	374,671.36	1,528,606.92
		78,976.83
	55.88	61.12
1,654,685.27	1,969,520.85	27,650,888.44
239,019.88	(91,792.68)	175,449.37
		287,026.80
(287,026.80)		(287,026.80)
(287,026.80)		
(48,006.92)	(91,792.68)	175,449.37
3,633,965.90	843,646.80	8,889,071.89
$ 3,585,958.98	$ 751,854.12	$ 9,064,521.26

TAYLOR 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	$	175,449.37
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 outlay expense in the current fiscal year.		(445,892.89)
In the governmental funds, the cost of capital assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(4,638.48)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		45,736.45
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.		(162,624.00)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.		(433,003.29)
Change in Net Position - Governmental Activities	$	(824,972.84)

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

TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2013

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 437,879.15
Investments	248,362.70
Accounts Receivable	658.26
Due From Other Funds	175,943.58
TOTAL ASSETS	$ 862,843.69
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 173,041.84
Estimated Insurance Claims Payable	225,184.70
Total Liabilities	398,226.54
NET POSITION	
Unrestricted	464,617.15
TOTAL LIABILITIES AND NET POSITION	$ 862,843.69

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

TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	$ 2,113,914.64
OPERATING EXPENSES	
Insurance Claims	1,954,875.95
Purchased Services	585,622.94
Administrative Expenses	5,561.00
Total Operating Expenses	2,546,059.89
Operating Loss	(432,145.25)
NONOPERATING EXPENSES	
Loss on Fair Market Value of Investments	(858.04)
Change in Net Position	(433,003.29)
Total Net Position - Beginning	897,620.44
Total Net Position - Ending	$ 464,617.15

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

TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	$ 2,117,027.35
Cash Payments to Suppliers for Goods and Services	(442,737.58)
Cash Payments for Insurance Claims	(1,834,636.25)
Net Cash Used by Operating Activities	(160,346.48)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(249,220.74)
Net Cash Used by Investing Activities	(249,220.74)
Net Decrease in Cash and Cash Equivalents	(409,567.22)
Cash and Cash Equivalents, Beginning	847,446.37
Cash and Cash Equivalents, Ending	$ 437,879.15
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (432,145.25)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	(658.26)
Due From Other Funds	3,770.97
Accounts Payable	148,446.36
Estimated Insurance Claims Payable	120,239.70
Total Adjustments	271,798.77
Net Cash Used by Operating Activities	$ (160,346.48)
Noncash Investing Activities	
Change in Fair Value of Investments	$ (858.04)

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 266,076.98
LIABILITIES	
Internal Accounts Payable	$ 266,076.98

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

TAYLOR 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 Taylor 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 department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Taylor County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools. 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 Taylor 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 and internal service funds. Separate financial statements are provided for governmental funds, proprietary 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 except for interfund services provided and used.

TAYLOR 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, proprietary, 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).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, and motor vehicle (bus) purchases.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District's individual self-insurance programs.
- 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.

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. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. 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 included in governmental activities are eliminated in the preparation of the government-wide financial statements.

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.

TAYLOR 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 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, other postemployment benefits and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. 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 cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

2. Investments

Investments consist of 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,

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

Florida Statutes, and those made locally. These 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.

Investments made locally consist of intergovernmental investment pools and mutual funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories

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

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 $750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

Description	Estimated Lives
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

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, 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 grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund 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.

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

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 District itself can establish 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 District'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 reported no committed fund balance 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 adoption of Board Policy 9.10 authorized the Superintendent and Finance Director to assign 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

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

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. 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 Taylor County Property Appraiser, and property taxes are collected by the Taylor 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 Taylor 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.

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

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.

5. Compensated Absences

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.

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 61. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the 2012-13 fiscal year. This Statement, in part, modifies certain requirements for inclusion of component units in the financial reporting entity. The Taylor County Education Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation's transactions are no longer considered quantitatively significant to District operations. As such, the Foundation no longer meets the criteria of a component unit, and is not reported in the District's financial statements for the 2012-13 fiscal year affecting the comparability of amounts reported on the financial statements for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal years. The following summarizes the resulting prior period adjustment for the Foundation:

Beginning Net Position - $127,979

Prior Period Adjustment - ($127,979)

Beginning Net Position (Post Adjustment) - $0

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

III. 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 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	$ 187,564.71
Fund B	3.98 Year Average	37,102.99
Florida Fixed Income Trust (FIT):		
Florida FIT 180	339 Days	1,997,680.68
Florida FIT 1 Year	658 Days	1,992,427.82
The Core Fund Short-Term United States (CORE)		
Government Bond Fund	475 Days	1,738,539.09
Total Investments		$ 5,953,315.29

Note: (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's investment policy limits investments to shares in open-end, no-load mutual funds which invest primarily in short term government bonds. The mutual fund investment objective must see a high level of income over the long term consistent with preservation of capital.

  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,

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 does not have a formal investment policy that limits its investment choices.

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

  The District's investment in the Florida FIT and CORE Funds, are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service, respectively.

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

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	$ 864,763.41	$	$	$ 864,763.41
Land Improvements	238,072.41			238,072.41
Construction in Progress		210,850.90		210,850.90
Total Capital Assets Not Being Depreciated	1,102,835.82	210,850.90		1,313,686.72
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	276,035.76			276,035.76
Buildings and Fixed Equipment	41,055,629.91	128,062.00		41,183,691.91
Furniture, Fixtures, and Equipment	5,403,759.14	336,732.95	292,619.06	5,447,873.03
Motor Vehicles	4,362,221.98	473,952.00		4,836,173.98
Audio Visual Materials and Computer Software	92,046.57			92,046.57
Total Capital Assets Being Depreciated	51,189,693.36	938,746.95	292,619.06	51,835,821.25
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	33,623.94	13,801.79		47,425.73
Buildings and Fixed Equipment	15,968,236.73	748,057.53		16,716,294.26
Furniture, Fixtures, and Equipment	3,389,956.75	528,804.43	287,980.58	3,630,780.60
Motor Vehicles	2,913,435.63	300,728.18		3,214,163.81
Audio Visual Materials and Computer Software	86,279.86	4,098.81		90,378.67
Total Accumulated Depreciation	22,391,532.91	1,595,490.74	287,980.58	23,699,043.07
Total Capital Assets Being Depreciated, Net	28,798,160.45	(656,743.79)	4,638.48	28,136,778.18
Governmental Activities Capital Assets, Net	$ 29,900,996.27	$ (445,892.89)	$ 4,638.48	$ 29,450,464.90

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 268,113.94
Unallocated	1,327,376.80
Total Depreciation Expense - Governmental Activities	$ 1,595,490.74

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in 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
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 $1,627,413.80, $1,078,155.20, and $1,172,113.25 respectively, which were equal to the required contributions for each fiscal year.

There were 39 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled $93,457.50, which was equal to the required contribution 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 and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized)

TAYLOR COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Insurance 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, 44 retirees received other postemployment benefits. The District provided required contributions of $150,078 toward the annual OPEB cost, net of retiree contributions totaling $189,848, which represents 1.9 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)	$119,910
Amortization of Unfunded Actuarial Accrued Liability	208,099
Annual Required Contribution	328,009
Interest on Net OPEB Obligation	18,261
Adjustment to Annual Required Contribution	(33,568)
Annual OPEB Cost (Expense)	312,702
Contribution Toward the OPEB Cost	(150,078)
Change in Net OPEB Obligation	162,624
Net OPEB Obligation, Beginning of Year	537,093
Net OPEB Obligation, End of Year	$699,717

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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	$ 250,359	53.51%	$ 412,805
2011-12	259,008	52.01%	537,093
2012-13	312,702	47.99%	699,717

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $3,274,375, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $3,274,375, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $9,902,727, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.07 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 October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.4 percent per year, and an annual healthcare cost trend rate of 8.5 percent initially beginning October 1, 2012, reduced by 0.5 percent per year, to 5 percent after October 1, 2020, and then increasing to an ultimate rate of 5.43 percent on October 1, 2044. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The

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

unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30 year period. The remaining amortization period at June 30, 2013, was 16 years.

F. Construction and Other 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
$ 69,821.57	$ 29,019.62	$ 4,445.10	$ 122,212.72	$ 223,527.80	$ 449,026.81

Construction Contracts. Encumbrances include the following major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Taylor High School Chiller Project	$ 192,958.19	$	$ 192,958.19
Taylor Technical Institute HVAC Renovations	112,141.00	78,498.70	33,642.30
Administrative Complex Roof Retrofit	147,058.00	132,712.20	14,345.80
Total	$ 452,157.19	$ 211,210.90	$ 240,946.29

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 Taylor County District School Board has established self-insurance programs for its employee health and hospitalization coverage. For its other insurance coverage, the Board is a member of the Florida School Board Insurance Trust (FSBIT) 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 coverages deemed necessary by the members of the FSBIT. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The FSBIT is self-sustaining though member assessments (premiums), and purchases coverage through commercial companies for the claims in

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

excess of specified amounts. If a member district withdraws or terminates participation in the FSBIT, and its claims exceed loss fund contributions from premiums paid, the FSBIT may request additional funds or return the open claims to the member district. The Board of Directors for the FSBIT is mainly composed of board members and a district-level business officer selected form participating districts. The District reports financial transactions related to these types of insurance coverage in the General Fund.

The District's health and hospitalization insurance program is being provided on a self-insurance basis up to specified limits. The District has entered into an agreement with a commercial insurance company to provide specific excess coverage of amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims exceed a loss limit established by the policy. The District has also contracted with a commercial insurance company to administer the terms of the programs under an agreement wherein the claims for benefits are paid by the insurance company, which is subsequently reimbursed by the District for claims paid plus an administrative expense. The District reports the financial transactions of its employee group insurance programs in an internal service fund.

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

A liability in the amount of $225,185 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at 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 Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	$ 104,945	$ 1,222,855	$ (1,222,855)	$ 104,945
2012-13	104,945	1,954,876	(1,834,636)	225,185

H. 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					
Compensated Absences Payable	$ 2,780,046.59	$ 115,298.86	$ 161,035.31	$ 2,734,310.14	$ 161,035.31
Other Postemployment Benefits Payable	537,093.00	312,702.00	150,078.00	699,717.00	
Total Governmental Activities	$ 3,317,139.59	$ 428,000.86	$ 311,113.31	$ 3,434,027.14	$ 161,035.31

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the internal service fund.

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

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	Payables
Major:		
General	$561,117.35	$140,991.39
Special Revenue:		
Other		548,667.22
Federal Economic Stimulus		37,800.40
Nonmajor Governmental		9,601.92
Internal Service	175,943.58	
Total	$737,060.93	$737,060.93

The receivables and payables generally occurred during the normal course of District operations, except that amounts due to the General Fund represent temporary loans to cover cash deficits. These amounts are expected to be repaid within one year.

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

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	$ 6,866,264.00
Categorical Educational Program - Class Size Reduction	2,891,216.00
Workforce Development Program	1,410,340.00
Classrooms First	130,743.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	102,798.54
Miscellaneous	598,422.56
Total	$ 11,999,784.10

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	5.196	$ 6,677,525.40
Basic Discretionary Local Effort	0.748	961,275.79
Critical Operating Needs	0.250	321,282.02
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,927,692.09
Total	7.694	$ 9,887,775.30

TAYLOR 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	Transfers Out
Major:		
General	$ 287,026.80	$
Capital Projects:		
Local Capital Improvement		287,026.80
Total	$ 287,026.80	$ 287,026.80

The transfer to the General Fund was made to move restricted revenues to offset property and casualty insurance premiums.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR 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	$ 68,500.00	$ 68,500.00	$ 68,942.56	$ 442.56
Federal Through State and Local	370,000.00	370,000.00	232,879.98	(137,120.02)
State	11,560,104.00	11,545,028.81	11,733,588.54	188,559.73
Local:				
Property Taxes	7,333,249.00	7,960,083.00	7,771,073.50	(189,009.50)
Miscellaneous	510,900.00	510,900.00	578,012.83	67,112.83
Total Local Revenues	7,844,149.00	8,470,983.00	8,349,086.33	(121,896.67)
Total Revenues	19,842,753.00	20,454,511.81	20,384,497.41	(70,014.40)
Expenditures				
Current - Education:				
Instruction	10,929,185.28	11,424,987.04	11,226,336.56	198,650.48
Pupil Personnel Services	1,322,609.17	1,369,634.77	1,243,992.82	125,641.95
Instructional Media Services	202,253.22	218,915.18	208,191.40	10,723.78
Instruction and Curriculum Development Services	769,366.20	719,174.06	706,123.60	13,050.46
Instructional Staff Training Services	80,616.90	114,566.83	47,138.63	67,428.20
Instruction Related Technology	140,006.05	145,206.25	144,720.80	485.45
School Board	250,369.57	230,919.78	229,910.74	1,009.04
General Administration	288,173.03	281,175.42	273,469.74	7,705.68
School Administration	1,573,444.40	1,589,180.87	1,584,093.80	5,087.07
Facilities Acquisition and Construction		13,847.35	11,354.37	2,492.98
Fiscal Services	597,317.88	509,258.99	369,060.48	140,198.51
Food Services	5,244.64	9,114.34	9,114.34	
Central Services	522,697.71	344,037.97	284,776.15	59,261.82
Pupil Transportation Services	1,340,885.68	1,435,887.40	1,370,918.89	64,968.51
Operation of Plant	2,527,848.86	2,177,383.67	2,048,145.59	129,238.08
Maintenance of Plant	229,383.38	238,562.39	236,685.16	1,877.23
Administrative Technology Services	256,000.88	255,437.11	246,130.56	9,306.55
Community Services	104,073.28	107,507.28	73,669.08	33,838.20
Fixed Capital Outlay:				
Facilities Acquisition and Construction		1,564.00	1,564.00	
Other Capital Outlay		55,070.44	40,873.29	14,197.15
Debt Service:				
Interest and Fiscal Charges		5.24	5.24	
Total Expenditures	21,139,476.13	21,241,436.38	20,356,275.24	885,161.14
Excess (Deficiency) of Revenues Over Expenditures	(1,296,723.13)	(786,924.57)	28,222.17	815,146.74
Other Financing Sources				
Transfers In	165,000.00	165,000.00	287,026.80	122,026.80
Net Change in Fund Balances	(1,131,723.13)	(621,924.57)	315,248.97	937,173.54
Fund Balances, Beginning	4,168,839.20	4,411,459.19	4,411,459.19	
Fund Balances, Ending	$ 3,037,116.07	$ 3,789,534.62	$ 4,726,708.16	$ 937,173.54

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)
$ 763,916.90	$ 2,060,791.65	$ 1,380,003.73	$ (680,787.92)	$	$	$	$
3,144,572.23	3,218,868.43	2,140,292.99	(1,078,575.44)	166,390.44	163,806.77	150,110.36	(13,696.41)
3,908,489.13	5,279,660.08	3,520,296.72	(1,759,363.36)	166,390.44	163,806.77	150,110.36	(13,696.41)
2,236,735.61	2,583,202.22	1,909,035.09	674,167.13	83,936.87	101,729.61	101,095.21	634.40
431,495.31	624,992.55	365,604.34	259,388.21				
419,596.19	460,052.43	264,892.92	195,159.51		2,864.00	1,260.69	1,603.31
315,946.96	333,929.91	138,605.83	195,324.08	25,456.01	15,574.65	15,540.31	34.34
2,844.70	2,759.70		2,759.70	25,950.00	16,004.32	16,004.32	
193,118.09	241,543.34	123,797.64	117,745.70	4,062.00	9,909.69	3,582.80	6,326.89
73,968.27	193,230.91	139,011.22	54,219.69	149.82	2,213.76	2,213.76	
12,873.35	15,470.82	7,060.66	8,410.16				
28,602.62	48,602.62	30,877.40	17,725.22				
9,301.59	15,338.24	7,199.16	8,139.08	26,835.74	15,510.74	10,413.27	5,097.47
99,843.60	145,714.12	92,132.29	53,581.83				
72,080.80	144,875.37	44,754.65	100,120.72				
12,082.04	366,048.79	359,221.98	6,826.81				
	103,899.06	38,103.54	65,795.52				
3,908,489.13	5,279,660.08	3,520,296.72	1,759,363.36	166,390.44	163,806.77	150,110.36	13,696.41
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

TAYLOR 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]
October 1, 2007	$ 0	$ 3,248,975	$ 3,248,975	0.0%	$ 11,110,240	29.24%
October 1, 2010	0	2,825,064	2,825,064	0.0%	9,189,143	30.74%
October 1, 2012	0	3,274,375	3,274,375	0.0%	9,902,727	33.07%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the actuarial accrued liability.

TAYLOR 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.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2012, unfunded actuarial accrued liability of $3,274,375 was significantly higher than the October 1, 2010, liability of $2,825,064 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Population Changes: The number of enrolled retirees currently receiving postemployment health benefits increased from 38 in the previous valuation to 44 in the current valuation. At the same time, the number of active employees eligible for future postemployment benefits increased from 248 to 253. Combined population changes increased cost and liability.
- Initial Cost of Coverage: Total cost of coverage decreased from $479 per employee per month (as expected for the October 1, 2010 valuation) to $469 per employee per month for the year beginning October 1, 2012, which is lower than the projected $567 per employee per month. This change decreased cost and liability.
- Medical Trend Assumptions: Revisions were made in the assumed trend for medical and prescription costs increases. In the previous valuation, the trends for costs and premiums were assumed to be 8 percent for each year beginning October 1, 2013, with rates decreasing 0.05 percent each year thereafter to the ultimate value of 5 percent. The trends for costs and premiums were revised to 8.5 percent then decreasing by 0.05 percent each year thereafter to the ultimate value of 5 percent, increasing cost and liability.
- Reflecting Provisions of the Affordable Care Act: The District Plan is projected to be assessed the Excise Tax on High-Cost Employer Health Plans as soon as that provision becomes effective. Absent any plan changes this will result in a 0.43 percent increase in the cost of coverage for plan year 2044, in addition to a 5 percent medical inflation assumed for that year for a total increase of 5.43 percent. After 2044, an estimated 0.43 percent increase in trend is assumed for all subsequent years, increasing cost and liability.

TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2013

- Changes in coverage election assumptions: With the most recent data furnished the assumptions pertaining to retiree coverage elections have been refined. The current plan assumes retirees becoming eligible for Medicare benefits will discontinue coverage under the Plan at a rate of 75 percent as they migrate to the Medicare Advantage option following recent increases in the contributions for post-65 coverage, down from 80 percent. This lower lapsing assumption increased the cost and liability. Furthermore, the overall rate at which retiring employees decide to stay covered under the core plan increased from 40 percent to 45 percent, increasing cost and liability.
- Discount Rate Assumption: A lower discount rate, from 3.75 percent to 3.4 percent, was used in valuing future cash flows, increasing cost and liability.
- Demographic Assumptions: Certain demographic assumptions were revised to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing effect cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TAYLOR 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	$ 282,233.97
National School Lunch Program	10.555 (2)(A)	300, 350	949,033.68
Total United States Department of Agriculture			1,231,267.65
United States Department of Energy:			
Indirect:			
University of Central Florida:			
ARRA - State Energy Program	81.041(2)(B)	None	1,089.81
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	358,562.48
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (4)	262, 263	740,946.89
Special Education - Preschool Grants	84.173 (5)	266, 267	36,229.06
University of South Florida:			
Special Education - Grants to States	84.027 (4)	None	333.00
Leon County District School Board:			
Special Education - Preschool Grants	84.173 (5)	None	25,758.06
Total Special Education Cluster			803,267.01
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	55,051.97
Title I Grants to Local Educational Agencies	84.010	212, 226, 228	915,574.09
Career and Technical Education - Basic Grants to States	84.048	151	115,798.17
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	08-202-VH308	18,839.11
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	6,478.44
Even Start - State Educational Agencies	84.213	219	6,646.96
Rural Education	84.358	110	57,351.65
Improving Teacher Quality State Grants	84.367	224	159,015.74
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (6)	RL111	150,110.36
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (2)(C)(6)	None	9,051.88
Total Indirect			2,297,185.38
Total United States Department of Education			2,655,747.86
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (3)	N/A	1,021,441.25
Indirect:			
Early Learning Coalition of the Big Bend Region, Inc.:			
Child Care and Development Block Grant	93.575	None	52,079.19
Total United States Department of Health and Human Services			1,073,520.44
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	290	40,000.00
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	68,222.56
Total Expenditures of Federal Awards			$ 5,069,848.32

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

(2) Noncash Assistance:
(A) National School Lunch Program - Includes $140,321.50 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
(B) State Energy Program - Includes $1,089.81 representing the Federally-paid portion of solar panels and related site preparation and installation costs.
(C) State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Includes donated equipment with a fair value of $6,876.21.

(3) Head Start. Expenditures include $575,208.56 for grant number/program year 04CH0506/19 and $446,232.69 for grant number/program year 04CH0506/20.

(4) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: $741,279.89.

(5) Special Education - Preschool Grants. Total CFDA No. 84.173 expenditures: $61,987.12.

(6) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: $159,162.24.

AUDITOR GENERAL
STATE OF FLORIDA

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

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

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 Taylor 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 February 14, 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 Taylor 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. 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.

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
February 14, 2014

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Taylor 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 each 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 finding 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
February 14, 2014

TAYLOR 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?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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:
84.063	Federal Pell Grant Program
84.395	ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

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

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

While the salary schedule and the union contract provided for certain types of differentiated pay, without a Board-established documented process for identifying which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. District personnel indicated that effective January 2014, and annually thereafter, a committee, composed of three instructional personnel and three District administrative personnel, is responsible for identifying areas of differentiated pay and making differentiated pay recommendations to the Board and union. Similar findings were noted in our report Nos. 2012-163 and 2013-129.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. In addition, Section 1011.80(5)(d), Florida Statutes, prohibits the District from reporting adult general education contact hours of students whose direct instructional costs were fully funded by an external agency.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2012-13 fiscal year, the District reported to the FDOE 23,946 instructional contact hours for 196 students enrolled in 326 adult general education classes. Our review of 2,103 contact hours reported for 15 students enrolled in 35 adult general education classes disclosed contact hours were over-reported by 456 hours for 9 students in 22 classes and under-reported by 135 hours for 4 students in 10 classes because of input errors and District personnel did not enter the withdrawal date as the day after the last date of attendance. The over-reported hours identified also included 201 hours for 6 students in 8 adult education classes whose direct instructional costs were fully funded by the Adult Basic Education Federal program, contrary to Section 1011.80(5)(d), Florida Statutes. Given the number of errors, the full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. Similar findings were noted in our report Nos. 2012-163 and 2013-129.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours misreported and contact the FDOE for proper resolution.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Program: Federal Pell Grant Program (CFDA 84.063)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $21,606

Special Tests and Provisions – Administrative Capability. During the 2012-13 fiscal year, the District administered the Federal Pell Grant Program (Program) at the Taylor Technical Institute (TTI) for 105 students, and program expenditures totaled $358,562. To continue participation in the Program, Federal regulations require the District to demonstrate to the United States Department of Education (ED) that it is capable of adequately administering the Program under various standards established in Title 34, Section 668.16, Code of Federal Regulations (CFR). These administrative capability standards include requirements such as:

- The District's ability to administer the Program in accordance with all statutory provisions;
- The use of an adequate number of qualified persons to administer the Program, including consideration of staff size, number of student aid applications evaluated, the number of students and amount of funds administered, the financial aid delivery system used, the degree of office automation, and the number and distribution of financial aid staff;
- The administration of the Program with adequate checks and balances in its system of internal controls, including separating the functions of authorizing payments and disbursing or delivery of funds; and
- Establishing and maintaining records required by regulations and the Program.

As discussed below, Program questioned costs totaling $21,606, control deficiencies, and noncompliance with Federal regulations were noted, including Program overawards of $15,981 ($4,600 and $11,381) and Program returns of $5,625 ($1,692 and $3,933). These questioned costs, control deficiencies, and instances of noncompliance are likely attributable, in whole or in part, to inadequate administrative capability.

Eligibility – Institution Cost of Attendance. Title IV, Section 472, Higher Education Opportunity Act (HEOA), requires post-secondary institutions, such as TTI, that receive Federal financial aid funds to annually establish and publish expected costs a student may incur while attending the institution, including tuition and fees, room and board, books and supplies, personal expenses, and transportation. Also, the cost of attendance is used in conjunction with the student's expected family contribution (EFC) to determine financial need and the amount of Pell grant program funds a student is eligible to receive.

For the 2012-13 fiscal year, the District did not have an approved institution cost of attendance to be used in making financial need determinations and disbursing Pell grant program funds, contrary to Title IV, Section 472, HEOA, as the District based awards solely on EFCs. Subsequent to our inquiry in May 2013, District personnel prepared, and the Board approved, the cost of attendance for the 2012-13 fiscal year. Although disbursements of Pell grant funds to students were made for the 2012-13 fiscal year prior to the preparation and approval for the institution's cost of attendance, our test of 25 students did not disclose any awards of Pell grant funds that would have exceeded the cost of attendance less the EFC. Without timely Board-approved cost of attendance, students may not anticipate costs to be incurred and there is an increased risk of improperly awarding funds to students.

Eligibility – Admissions Policy. One of the eligibility requirements, pursuant to Title 34, Section 668.32, CFR, and the District's admission policy, for students applying for the Program is that students have a high school diploma or general education degree (GED). Our test of 25 students that received Program assistance disclosed evidence that 23 students had high school diplomas or GEDs; however, District records did not initially evidence that 2 students tested met this eligibility requirement. Subsequent to our inquiry, the District obtained appropriate confirmation of the educational background of 1 of the 2 students; however, confirmation of the high school diploma or GED was not provided for the remaining student, resulting in $4,600 in questioned costs subject to disallowance by the grantor. District personnel indicated they had relied on the student's self-certification on the Free Application for Federal Student Aid (FAFSA), instead of obtaining evidence of the student's high school diploma or GED. Without evidence of a high school diploma or GED, there is an increased risk of awarding Pell grants to ineligible students.

Special Tests and Provisions – Verification. Title 34, Sections 668.51 through 668.61, CFR, require applicants whose FAFSA information is selected by ED for verification to provide the District acceptable documentation, including signed statements, to calculate the applicant's EFC. Information needed to calculate the EFC generally includes adjusted gross income or income tax paid, number of family members in the household, and other information. If the applicant does not provide the requested information, the student forfeits the Pell grant, and must return any payments received for that award year.

Our test of 12 students awarded $44,178 in Pell grant funds that ED selected for verification disclosed the following:

- For 5 students, statements were provided to verify the number of family members in the household and other information, such as number of family members enrolled in eligible postsecondary institutions; however, the statements were not signed to confirm the accuracy of the statements.
- For 2 students, signed statements were provided that listed several household members other than the student (such as the student's mother, brother, niece, nephew, and grandchildren). However there was no documentation on file to demonstrate that the District had made an effort to determine if more than

50 percent of the support to the other household members was provided by the student. This information is necessary to ensure the number of household members reported on the FAFSA is accurate.

Without required signed statements and other acceptable documentation to allow the District to appropriately verify a student's Pell grant eligibility, students may be required to forfeit their grants and return payments received.

Financial Reporting. Title 34, Section 668.164, CFR, defines the disbursement date as the date the District makes a disbursement to a student's account at the District or pays a student directly. The District reports Pell awards and disbursement to the ED through the common origination and disbursement (COD) system. Our tests of 40 disbursements to 25 students disclosed that all 40 disbursements totaling $89,073.81 had disbursement dates recorded in the COD system 1 to 22 days before the actual disbursement dates and up to 6 days after the actual disbursement. District personnel indicated that the recording errors occurred because they were unaware that the disbursement date recorded in COD is defined in Title 34, Section 668.164, CFR, as the actual date of disbursement.

Because several regulatory requirements are based on the disbursement date, including when the student possesses the rights and responsibilities of a Pell grant recipient, it is important to properly enter the disbursement date in the COD system. Incorrect disbursement dates recorded in the COD system increase risk that students may not receive additional Federal program funding to which they are entitled.

Special Tests and Provisions – Return of Pell Grant Funds. Based on Title 34, Section 668.22, CFR, and ED directives, the District must make a determination of a student's withdrawal date within 14 days after the student's last date of attendance. In addition, Title 34, Section 668.22(j)(1), CFR, requires the District to make a determination of the amount of Pell grant funds the student has earned as of the date of withdrawal and either disburse any remaining earned Pell grant funds to the student or return any unearned funds to ED within 45 days after the student's withdrawal date is determined.

Our test for 14 students who withdrew from classes during the 2012-13 fiscal year disclosed the following:

- For 3 students who withdrew prior to receiving Pell Program funds, the District disbursed $2,313 to one student 14 days after the 45 day deadline and returned Pell Program funds totaling $3,007 to ED for the other two students from 4 to 10 days after the 45 day deadline. District personnel indicated these errors occurred because the District did not timely monitor student withdrawals.
- Three students received Pell program funds prior to withdrawal; however, the District made calculation errors in determining the amount of Pell Program funds that these students earned as of the date of withdrawal. For two of these students, the District incorrectly calculated and returned $175 to ED in excess of the amount due. While this does not result in questioned costs, it is indicative of deficiencies in procedures to accurately compute and monitor return of Pell program funds. For the remaining student, the District incorrectly calculated the student's post-withdrawal disbursement, and should have returned $1,692 to ED, which represents questioned costs subject to disallowance by the grantor.

Without policies and procedures to appropriately provide for return of Pell grant program funds, there is an increased risk that the District may not properly disburse Pell grant moneys earned to students or return unearned funds to ED.

ED Onsite Review. From February 25, 2013, to March 1, 2013, an ED monitoring team conducted a review of the District's policies and procedures and compliance with various provisions for awarding and disbursing Program funds at TTI and issued a Program Review Report (PRR) on June 10, 2013, which included findings similar to those noted above. For example, in the PRR, ED required the District to review all 2012-13 fiscal year files for proper documentation of student eligibility, and the District identified 8 students (in addition to the students identified by our tests) without evidence of high school diplomas or GEDs. The District subsequently obtained confirmation of the educational background of 1 of the 8 students; however, confirmation of the high school diploma or GED was not provided for the remaining 7 students, resulting in $11,381 in additional questioned costs subject to disallowance by

the grantor. In addition, in its response to ED, the District recalculated refunds owed to ED for 73 students for the 2012-13 fiscal year, of which the District had erroneously returned funds totaling $6,841 for 18 students (in addition to the students identified by our tests) and had not returned funds totaling $3,933 for 18 students (in addition to the students by our tests) to ED, resulting in questioned costs subject to disallowance by the grantor.

In August 2013, as part of its corrective action plan, the District hired a consulting firm to review and revise Program policies and procedures and assist with resolving the PRR findings and, in October 2013, the District submitted to ED responses and supporting documentation to each finding as required by ED. As of January 2014, the District had not received a final program review determination letter from ED.

Recommendation: The District should review and revise all financial aid award and disbursement policies and procedures to ensure compliance with all statutory requirements of the Pell program. In addition, the District should document to the grantor (ED) the allowability of the questioned costs, totaling $21,606, or restore these moneys to the Pell program.

District Contact Person and Title: Judy Johnson, Director, Taylor Technical Institute

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2013-129. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-129, Finding No. 1	Audit Report No. 2012-163, Finding No. 6
2	Audit Report No. 2013-129, Finding No. 2	Audit Report No. 2012-163, Finding No. 8

Note: Above chart limits recurring findings to two previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

TAYLOR 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:

udit Report No. and Federal ards Finding No.	Program/Area	Brief Description	Status	Comments
2010-170 (5) 2011-161 (6)	Title I Grants to Local Educational Agencies (CFDA No. 84.010 - Allowable Costs/Cost Principles - Compensation of Personnel Services	Enhancements were needed in District procedures for maintaining documentation to support the allocation of salaries and benefits to the Title I program for employees who worked on single and multiple cost objectives. Additionally, the District paid the salary and benefits of a technology specialist with Title I moneys resulting in questioned costs of $55,119.68 during the 2008-09 fiscal year.	Partially corrected. Report 2010-170 finding (5) does not warrant further action.	At least two years have passed since the report finding was submitted, the grantor is not currently following up on the finding, and a management decision was not issued. Report 2011-161 finding (6) is pending resolution of questioned costs.
2010-170 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010 - Matching, Level of Effort, Earmarking - Supplement not Supplant	The District used Title I program funds to reduce (supplant) the amount of other moneys used to operate the program, contraty to Federal regulations, resulting in questioned costs of $85,109.40.	Partially corrected. Report 2010-170 finding (4) does not warrant further action.	At least two years have passed since the report finding was submitted, the grantor is not currently following up on the finding, and a management decision was not issued.
2010-170 (6) 2011-161 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010 and 84.389 - Matching, Level of Effort, Earmarking - Targeting Funds for Supplemental Educational Services	Improvements were needed in the District's administration of supplemental educational services and transportation choice options for students attending schools identified as in need of improvement. The unexpended portions of the 2008-09 and 2009-10 fiscal year earmarks of $72,147.63 and $152,525.80, respectively, represent questioned costs.	Partially corrected. Report 2010-170 finding (6) does not warrant further action.	At least two years have passed since the report finding was submitted, the grantor is not currently following up on the finding, and a management decision was not issued.

EXHIBIT A
MANAGEMENT'S RESPONSE

THE DISTRICT SCHOOL BOARD OF TAYLOR COUNTY
318 North Clark Street
Perry, Florida 32347
(850) 838-2500 – Telephone
(850) 838-2501 – Fax
Taylor.k12.fl.us
Paul Dyal, Superintendent

02/07/2014

David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32302

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ending June 30, 2013 have been reviewed by the appropriate district staff. Our response to the findings and recommendations are listed below.

Finding No. 1: Compensation and Salary Schedules

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

Through the collective bargaining process with our instructional union, differentiated pay has been addressed and protocols on who should receive it have been put in place in the teachers' contract.

Finding No. 2: Adult General Education Courses

We agree the District should enhance its controls over the reporting of instruction contact hours for adult general education classes to FDOE. The District has already taken action to correct this problem, and determine the extent of the misreported hours and will contact FDOE for proper resolution.

Federal Awards Finding No. 1: Federal Pell Grant Program, Noncompliance and Significant Deficiency.

We agree the District should review and revise all financial aid award and disbursement policies and procedures. The District has already taken action to correct this problem, and to determine the extent of the allowability of the questioned cost.

School Board Members

Danny Glover Jr. Residence Area One
Brenda H. Carlton Residence Area Two
Darrell Whiddon Residence Area Three
Danny Lundy Residence Area Four
Kenneth R. Dennis Residence Area Five

An Equal Opportunity – Equal Access Employer – Veterans' Preference Employer

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

We wish to commend Cheryl Buchanan and her staff; the audit was conducted with much courtesy and professionalism. We value their knowledge and expertise relating to school business.

Sincerely,

Paul E. Dyal
Superintendent, Taylor County Schools