

**JACKSON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Dr. Terry E. Nichols, Chair to 11-17-08	1
Kenneth R. Griffin, Vice Chair to 11-17-08, Chair from 11-18-08	2
Betty B. Duffee, Vice Chair from 11-18-08	3
Chris M. Johnson	4
Charlotte M. Gardner	5
Daniel G. Sims, Superintendent to 11-17-08	
Lee W. Miller, Superintendent from 11-18-08	

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 Heather A. Donovan, and the audit was supervised by Patricia S. Crutchfield, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

JACKSON COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTER

Finding No. 1: Improvements were needed in controls over the reporting of instructional hours for adult general education courses 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 Child Nutrition Cluster, Special Education Cluster, 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 were applicable to the major Federal programs tested. However, we did note compliance findings as summarized below.

Federal Awards Finding No. 1: Improvements could be made in the District's procedures to ensure that the free and reduced price meal verification sample is selected pursuant to Federal requirements.

Federal Awards Finding No. 2: Contrary to registration requirements for Federal awards, the District did not timely register in the Central Contractor Registration database.

Audit Objectives and Scope

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

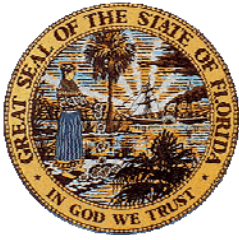
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2009-118.

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

substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 22 percent of the assets and 71 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Jackson County District School Board's internal control over financial reporting and on our tests of its compliance with

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 42 through 45) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
January 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

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

- Net assets total \$87,894,339.83, an increase of \$856,707.46, or 1 percent, over the 2007-08 fiscal year. Total assets, however, decreased \$2,435,164.79 during the year and total \$101,938,373.68 at June 30, 2009.
- General revenues total \$59,739,403.63, or 86 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$9,686,001.14, or 14 percent.
- Expenses total \$68,568,697.31. Only \$9,686,001.14 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$15,782,132.87 at June 30, 2009. This represents a decrease of \$1,574,270.11, or 9 percent from the previous year. Included in the unreserved fund balance are designated funds totaling \$4,002,846.06 that have been set aside by the Board to pay for certain identified contingencies and other purposes. For example, the Board designated \$1,315,525, \$1,250,535.11, \$294,981, and \$391,804.95 for future teaching positions to meet compliance with the constitutional class size reduction amendment, potential terminal leave payouts for Deferred Retirement Option Program participants, potential repayment of Federal program questioned costs (see Note 16), and school budget roll forward amounts, respectively.
- The implementation of Government Accounting Standards Board Statement No. 45 required the District to disclose a liability at June 30, 2009, which represents its obligation for postemployment benefits for retirees. This is an estimated amount, and there is currently no available budget to fund the liability.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure

of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

All of the District's nonfiduciary activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are included. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 27,915,936.47	\$ 32,194,505.08
Capital Assets	74,022,437.21	72,179,033.39
Total Assets	101,938,373.68	104,373,538.47
Long-Term Liabilities	11,843,153.31	11,594,672.60
Other Liabilities	2,200,880.54	5,741,233.50
Total Liabilities	14,044,033.85	17,335,906.10
Net Assets:		
Invested in Capital Assets - Net of Related Debt	66,867,121.98	64,829,033.39
Restricted	9,602,714.99	8,195,372.50
Unrestricted	11,424,502.86	14,013,226.48
Total Net Assets	\$ 87,894,339.83	\$ 87,037,632.37

The largest portion of the District’s net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, furniture, fixtures, and equipment, motor vehicles, computer software). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (13 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

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

	Operating Results for the Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 1,342,637.16	\$ 1,407,138.09
Operating Grants and Contributions	4,365,079.36	4,242,269.53
Capital Grants and Contributions	3,978,284.62	3,898,332.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,763,403.14	8,091,584.71
Local Sales Taxes	2,033,516.79	2,127,800.84
Grants and Contributions Not Restricted to Specific Programs	47,540,755.69	50,549,469.17
Unrestricted Investment Earnings	421,636.37	1,127,162.38
Miscellaneous	980,091.64	1,130,535.68
Total Revenues	69,425,404.77	72,574,292.43
Functions/Program Expenses:		
Instruction	35,540,491.70	35,504,090.67
Pupil Personnel Services	3,700,214.82	3,547,104.05
Instructional Media Services	786,995.13	774,810.20
Instruction and Curriculum Development Services	2,070,153.85	2,264,440.60
Instructional Staff Training Services	632,081.18	463,023.72
Instruction Related Technology	856,728.35	931,396.76
Board of Education	654,463.46	391,650.19
General Administration	541,510.96	467,038.03
School Administration	3,710,935.63	3,906,989.03
Facilities Acquisition and Construction	446,257.00	320,783.97
Fiscal Services	448,627.13	480,982.78
Food Services	3,589,894.86	3,590,908.78
Central Services	437,751.56	478,324.41
Pupil Transportation Services	3,264,333.38	3,522,210.27
Operation of Plant	6,050,351.55	5,634,566.43
Maintenance of Plant	2,002,335.22	1,954,574.18
Administrative Technology Services	461,014.73	546,625.22
Community Services	99,810.11	98,453.32
Interest on Long-Term Debt	334,617.76	341,137.79
Unallocated Depreciation Expense	2,927,894.50	2,838,844.01
Loss on Disposal of Capital Assets	12,234.43	10,817.61
Total Functions/Program Expenses	68,568,697.31	68,068,772.02
Increase in Net Assets	\$ 856,707.46	\$ 4,505,520.41

State revenues totaled \$46,005,706.58 and were the largest revenue source for the School District (66 percent of total revenue). 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. Overall, 2008-09 fiscal year revenues were less than 2007-08 fiscal year revenues by \$3,148,887.66. Nearly all of this decrease is attributable to the economic downturn, which has resulted in reduced State collections. Major contributors to the revenue reduction in the 2008-09 fiscal year were FEFP revenues, which declined \$3,029,039.96, and investment income, which declined \$705,526.01, due to declines in investment rates, amounts available for investment, and unrealized losses from recording investment fair value adjustments.

Classroom instruction and instructional support expenses total \$43,586,665.03, which is an increase of \$101,799.03 or 0.2 percent over the 2007-08 fiscal year, and represent 64 percent of total governmental expenses in the 2008-09 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$15,782,132.87, while the total fund balance is \$18,488,961.36. The unreserved fund balance decreased by \$1,574,270.11, while the total fund balance decreased by \$2,245,400.93 during the fiscal year.

General Fund revenues totaled \$52,155,174.08, which was a decrease of \$2,801,475.41 from the previous fiscal year. The decrease in revenue was essentially due to the results of regular and special legislative sessions in which FEFP and categorical formula funds were significantly reduced. This action by the State legislature was in response to the current economic climate affecting State revenue receipts and future revenue projections. Overall, total FEFP and categorical formula funds revenue decreased \$2,894,007.36 from the previous fiscal year. This reduction was only partially offset by an increase in local property taxes levied for operational purposes of \$671,818.43, resulting in a net reduction of 5 percent. The District continues to experience a yearly decline in student enrollment, which was responsible for approximately \$400,000 of the decrease in FEFP and categorical formula funds.

General Fund expenditures totaled \$55,457,343.31, an increase of \$1,050,096.16 over the previous fiscal year. The District realized significant utility rate hikes and generated other utility increases due to newly constructed classroom space.

The Special Revenue – Other Fund accounts for certain Federal grant program resources and has a total fund balance of \$19,966.20.

The Capital Projects – Other Fund has a total fund balance of \$5,218,890.04, an increase of \$557,735.36 over the previous fiscal year due mainly to an increase in Classrooms for Kids revenues. The entire fund balance is restricted for the acquisition, construction, and maintenance of capital assets and certain computer hardware and software purchases. Of the fund balance total, \$2,168,559.46 was encumbered for construction projects at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceed final budgeted amounts by \$111,254.83, while actual expenditures were \$565,958.08 less than the final budgeted amounts. There were no negative balances in any of the functional categories.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$74,022,437.21 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; audio visual materials; and computer software.

Major capital asset events during the current fiscal year included the following:

- A relocatable classroom construction project was completed at two District schools.
- New construction and renovation projects involving physical education and other athletic facilities were started at three District high schools but were not complete at June 30, 2009. The projects were:
 - Marianna High School – physical education classroom and multipurpose facility;

- Graceville High School – athletic facility offices, locker rooms, and dressing rooms; and
 - Malone School – gymnasium renovation and remodeling.
- A Districtwide heating and air conditioning replacement project was started but not completed at June 30, 2009.
- A roof removal and replacement project at two schools was started but not completed at June 30, 2009.

Additional information on the District’s capital assets can be found in Notes 4 and 14 to the financial statements.

Long-Term Debt

At June 30, 2009, the District had bonds payable of \$7,070,000. This total includes a balance of \$5,315,000 in Capital Improvement Revenue and Refunding Bonds, Series 2003, to provide for capital construction projects and a balance of \$1,755,000 for debt issued on behalf of the District by the State Board of Education and administered by the State Board of Administration.

Additional information on the District’s long-term debt can be found in Notes 5 through 7 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson County District School Board’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Jackson County District School Board, 2903 Jefferson Street, P. O. Box 5958, Marianna, FL 32447.

BASIC FINANCIAL STATEMENTS

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 16,250,264.65
Investments	9,898,778.51
Accounts Receivable	115,850.56
Due from Other Agencies	1,490,949.39
Inventories	160,093.36
Capital Assets:	
Nondepreciable Capital Assets	3,548,819.46
Depreciable Capital Assets, Net	70,473,617.75
	<u>\$ 101,938,373.68</u>
LIABILITIES	
Salaries and Benefits Payable	\$ 349,985.76
Payroll Deductions and Withholdings	171,320.40
Accounts Payable	311,894.22
Construction Contracts Payable	522,071.37
Construction Contracts Payable - Retainage	166,000.52
Due to Other Agencies	6,072.28
Deposits Payable	1,560.82
Deferred Revenue	671,975.17
Long-Term Liabilities:	
Portion Due Within One Year	576,915.15
Portion Due After One Year	11,266,238.16
	<u>\$ 14,044,033.85</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	66,867,121.98
Restricted for:	
State Categorical Programs	2,133,403.34
Debt Service	295,113.51
Capital Projects	6,509,894.10
Food Service	172,714.09
Other Purposes	491,589.95
Unrestricted	11,424,502.86
	<u>87,894,339.83</u>
	<u>\$ 101,938,373.68</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:					
Instruction	\$ 35,540,491.70	\$ 205,606.91	\$	\$	\$ (35,334,884.79)
Pupil Personnel Services	3,700,214.82				(3,700,214.82)
Instructional Media Services	786,995.13				(786,995.13)
Instruction and Curriculum Development Services	2,070,153.85				(2,070,153.85)
Instructional Staff Training Services	632,081.18				(632,081.18)
Instruction Related Technology	856,728.35				(856,728.35)
Board of Education	654,463.46				(654,463.46)
General Administration	541,510.96				(541,510.96)
School Administration	3,710,935.63				(3,710,935.63)
Facilities Acquisition and Construction	446,257.00			3,733,903.97	3,287,646.97
Fiscal Services	448,627.13				(448,627.13)
Food Services	3,589,894.86	1,136,607.81	2,517,367.36		64,080.31
Central Services	437,751.56				(437,751.56)
Pupil Transportation Services	3,264,333.38	422.44	1,847,712.00		(1,416,198.94)
Operation of Plant	6,050,351.55				(6,050,351.55)
Maintenance of Plant	2,002,335.22				(2,002,335.22)
Administrative Technology Services	461,014.73				(461,014.73)
Community Services	99,810.11				(99,810.11)
Interest on Long-Term Debt	334,617.76			244,380.65	(90,237.11)
Unallocated Depreciation Expense	2,927,894.50				(2,927,894.50)
Loss on Disposal of Capital Assets	12,234.43				(12,234.43)
Total Governmental Activities	\$ 68,568,697.31	\$ 1,342,637.16	\$ 4,365,079.36	\$ 3,978,284.62	(58,882,696.17)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					8,763,403.14
Local Sales Taxes					2,033,516.79
Grants and Contributions Not Restricted to Specific Programs					47,540,755.69
Unrestricted Investment Earnings					421,636.37
Miscellaneous					980,091.64
Total General Revenues					59,739,403.63
Change in Net Assets					856,707.46
Net Assets - Beginning					87,037,632.37
Net Assets - Ending					\$ 87,894,339.83

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

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

	General Fund	Special Revenue - Other Fund
ASSETS		
Cash and Cash Equivalents	\$ 8,797,394.23	\$ 22,205.40
Investments	9,775,312.54	
Accounts Receivable	77,057.29	10,571.65
Due from Other Funds	506,710.80	105,736.34
Due from Other Agencies	12,137.33	317,246.32
Inventories	61,067.30	
	\$ 19,229,679.49	\$ 455,759.71
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	\$ 283,580.53	\$ 65,969.56
Payroll Deductions and Withholdings	165,188.40	6,101.66
Accounts Payable	178,072.58	12,923.35
Construction Contracts Payable		
Construction Contracts Payable - Retainage		
Due to Other Funds	110,126.36	345,296.66
Due to Other Agencies	570.00	5,502.28
Deposits Payable	1,560.82	
Deferred Revenue	1,619.44	
	740,718.13	435,793.51
 Total Liabilities		
Fund Balances:		
Reserved for State Categorical Programs	2,133,403.34	
Reserved for Encumbrances	81,835.20	
Reserved for Inventories		
Reserved for Debt Service		
Reserved for Other Purposes	491,589.95	
Unreserved:		
Designated, Reported in General Fund:		
Designated for Contingencies	294,981.00	
Designated for DROP Program	1,250,535.11	
Designated for Class Size Reduction	1,315,525.00	
Designated for School Budgets	391,804.95	
Designated for Capital Outlay	750,000.00	
Undesignated, Reported in:		
General Fund	11,779,286.81	
Special Revenue Funds		19,966.20
Debt Service Funds		
Capital Projects Funds		
	18,488,961.36	19,966.20
	\$ 19,229,679.49	\$ 455,759.71
TOTAL LIABILITIES AND FUND BALANCES		

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,854,371.40	\$ 1,576,293.62	\$ 16,250,264.65
63,332.19	60,133.78	9,898,778.51
	2,362.50	89,991.44
	6,317.83	618,764.97
654,806.00	506,759.74	1,490,949.39
	99,026.06	160,093.36
<u>\$ 6,572,509.59</u>	<u>\$ 2,250,893.53</u>	<u>\$ 28,508,842.32</u>
\$	\$ 435.67	\$ 349,985.76
	30.34	171,320.40
94,039.94	26,858.35	311,894.22
457,757.09	64,314.28	522,071.37
147,016.52	18,984.00	166,000.52
	137,482.83	592,905.85
		6,072.28
		1,560.82
654,806.00	15,549.73	671,975.17
<u>1,353,619.55</u>	<u>263,655.20</u>	<u>2,793,786.39</u>
2,168,559.46	1,042,358.29	2,133,403.34
	99,026.06	3,292,752.95
	295,113.51	99,026.06
		295,113.51
		491,589.95
		294,981.00
		1,250,535.11
		1,315,525.00
		391,804.95
		750,000.00
		11,779,286.81
	73,688.03	93,654.23
	228,406.67	228,406.67
3,050,330.58	248,645.77	3,298,976.35
<u>5,218,890.04</u>	<u>1,987,238.33</u>	<u>25,715,055.93</u>
<u>\$ 6,572,509.59</u>	<u>\$ 2,250,893.53</u>	<u>\$ 28,508,842.32</u>

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

Total Fund Balances - Governmental Funds \$ 25,715,055.93

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 74,022,437.21

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

Obligations Under Capital Lease	\$ 85,315.23	
Bonds Payable	7,070,000.00	
Compensated Absences Payable	4,421,871.08	
Postemployment Healthcare Benefits Payable	265,967.00	
		(11,843,153.31)

Total Net Assets - Governmental Activities \$ 87,894,339.83

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

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

	General Fund	Special Revenue - Other Fund
Revenues		
Intergovernmental:		
Federal Direct	\$	\$ 1,707,231.79
Federal Through State and Local	331,022.57	5,373,978.37
State	41,608,435.38	
Local:		
Property Taxes	8,763,403.14	
Local Sales Taxes		
Charges for Services - Food Service		
Miscellaneous	1,452,312.99	
Total Revenues	52,155,174.08	7,081,210.16
Expenditures		
Current - Education:		
Instruction	30,631,236.78	4,512,413.55
Pupil Personnel Services	3,461,805.50	217,764.57
Instructional Media Services	786,602.71	
Instruction and Curriculum Development Services	1,042,826.57	1,030,885.02
Instructional Staff Training Services	122,591.97	508,973.94
Instruction Related Technology	713,193.77	134,980.74
Board of Education	653,559.91	
General Administration	318,561.64	222,517.01
School Administration	3,586,702.70	85,623.45
Facilities Acquisition and Construction	342,627.56	3,499.35
Fiscal Services	444,724.78	
Food Services	9,123.42	21,621.32
Central Services	436,255.29	7,770.22
Pupil Transportation Services	2,663,400.92	74,519.72
Operation of Plant	5,979,744.83	70,575.72
Maintenance of Plant	2,020,829.04	638.14
Administrative Technology Services	463,486.07	17.01
Community Services	71,834.52	27,740.77
Fixed Capital Outlay:		
Facilities Acquisition and Construction	12,574.78	2,700.00
Other Capital Outlay	1,681,076.55	169,402.83
Debt Service:		
Principal	11,754.77	
Interest and Fiscal Charges	2,829.23	
Total Expenditures	55,457,343.31	7,091,643.36
Excess (Deficiency) of Revenues Over Expenditures	(3,302,169.23)	(10,433.20)
Other Financing Sources (Uses)		
Transfers In	860,307.99	
Inception of Capital Lease	97,070.00	
Insurance Loss Recoveries	99,390.31	
Transfers Out		
Total Other Financing Sources (Uses)	1,056,768.30	
Net Change in Fund Balances	(2,245,400.93)	(10,433.20)
Fund Balances, Beginning	20,734,362.29	30,399.40
Fund Balances, Ending	\$ 18,488,961.36	\$ 19,966.20

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	2,466,180.36	1,707,231.79
1,750,000.00	2,647,271.20	8,171,181.30
		46,005,706.58
		8,763,403.14
2,033,516.79		2,033,516.79
	1,136,607.81	1,136,607.81
(19,771.03)	75,825.09	1,508,367.05
<u>3,763,745.76</u>	<u>6,325,884.46</u>	<u>69,326,014.46</u>
		35,143,650.33
		3,679,570.07
		786,602.71
		2,073,711.59
		631,565.91
		848,174.51
		653,559.91
		541,078.65
100,089.38		3,672,326.15
		446,216.29
		444,724.78
	3,567,115.45	3,597,860.19
		444,025.51
		2,737,920.64
		6,050,320.55
		2,021,467.18
		463,503.08
		99,575.29
2,819,424.88	611,075.28	3,445,774.94
	2,210.23	1,852,689.61
	280,000.00	291,754.77
	331,788.53	334,617.76
<u>2,919,514.26</u>	<u>4,792,189.49</u>	<u>70,260,690.42</u>
<u>844,231.50</u>	<u>1,533,694.97</u>	<u>(934,675.96)</u>
		860,307.99
		97,070.00
		99,390.31
(286,496.14)	(573,811.85)	(860,307.99)
<u>(286,496.14)</u>	<u>(573,811.85)</u>	<u>196,460.31</u>
557,735.36	959,883.12	(738,215.65)
4,661,154.68	1,027,355.21	26,453,271.58
<u>\$ 5,218,890.04</u>	<u>\$ 1,987,238.33</u>	<u>\$ 25,715,055.93</u>

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

Net Change in Fund Balances - Governmental Funds \$ (738,215.65)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 1,855,638.25

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (12,234.43)

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

Capital Lease Proceeds	\$	(97,070.00)	
Capital Lease Payments		11,754.77	
Bonds Payable Payments		280,000.00	194,684.77

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (177,198.48)

Postemployment healthcare 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 postemployment healthcare benefits liability for the current fiscal year. (265,967.00)

Change in Net Assets - Governmental Activities **\$ 856,707.46**

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

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 631,647.87
Accounts Receivable	600.00
	632,247.87
TOTAL ASSETS	\$ 632,247.87
LIABILITIES	
Accounts Payable	\$ 52,703.83
Due to Other Funds	25,859.12
Internal Accounts Payable	553,684.92
	632,247.87
TOTAL LIABILITIES	\$ 632,247.87

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

➤ **Basis of Presentation**

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

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Other Fund – to account for the financial resources generated by the local sales tax levy and State revenue from the Class Size Reduction Construction program to be used for educational capital outlay needs, including new construction and renovation and remodeling projects. In addition, local sales tax revenue may be used for computer hardware and software purchases.

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include three money market mutual funds and amounts placed with the

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

State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in LGIP and the Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. Local investments consist of individual securities, a short term bond fund, and money market mutual funds.

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

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

Investments made locally consist of obligations of United States Government Agencies and Instrumentalities, a short-term United States Government bond fund, and money market mutual funds consisting of United States government agency securities and repurchase agreements. All are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture surplus commodities 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, except for transportation materials and supplies. Transportation materials and supplies are recorded as expenditures when purchased. However, expenditures are adjusted at June 30 to properly reflect the cost of the inventory in the General Fund for those transportation items on hand as of June 30.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets 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. Certain capital assets acquired or constructed prior to July 1, 1983, are stated at estimated historical cost using price

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

levels at the time of acquisition and, as a result, \$11,415 of stated land values; \$1,391,289.51 of stated building values; and \$12,152.60 of stated improvements other than buildings values, are based on these estimates.

As of June 30, 2009, the reported value of capital assets includes amounts capitalized for improvements to the property acquired under a 50-year operating lease with the Florida Department of Education as follows: buildings, \$926,941.82, and improvements other than buildings, \$64,169.07. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 40 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	3 - 5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms for Kids Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Classrooms for Kids Program funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

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

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Jackson 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.

➤ **Capital Outlay Surtax**

In November 2005, the voters of Jackson County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2006, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds, except that no budget appropriation is made for capital leases in the year of inception.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

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

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust Fund		
Investment Pool (LGIP) (1)	46 Day Average	\$ 67,801.20
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	115,936.36
Debt Service Accounts	6 Months	47,774.76
Money Market Mutual Funds:		
Morgan Stanley Institutional Liquidity Fund (1)	33 Day Average	5,091,211.66
Federated - Government Obligations Fund (1)	47 Day Average	2,003,566.12
Goldman Sachs (1)	1 Day Average	1,589,737.26
Obligations of United States Government		
Agencies and Instrumentalities	July 2010 - June 2011	4,712,787.50
The Core Fund Short - Term United States		
Government Bond Fund	1.08 Year Average	5,022,279.89
Total Investments		\$ 18,651,094.75

Note (1): Investment reported as a cash equivalent.

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

Interest Rate Risk

- The District’s investment policy limits the length of investment as follows: (1) investments of current operating funds shall have maturities of no longer than two years, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for funds and in accordance with debt covenants, but in no event shall exceed five years.
- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates of Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.
- The District’s investment of \$4,712,787.50 in obligations of United States Government Agencies and Instrumentalities were callable investments at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security, at the stated interest rate, until final maturity. These securities have various call dates.
- As of June 30, 2009, the District has the following interest rate risk by fund:

Investment by Fund	Fair Value	Investment Maturities		
		Six Months or Less	Greater Than Six Months to Two Years	Greater Than Two Years
Major Governmental Funds:				
General Fund	\$ 15,430,164.67	\$ 5,654,852.13	\$ 9,735,067.39	\$ 40,245.15
Capital Projects Funds:				
Other	3,137,081.38	3,073,749.19		63,332.19
Nonmajor Governmental Funds	83,848.70	71,489.68		12,359.02
Total Investments	\$ 18,651,094.75	\$ 8,800,091.00	\$ 9,735,067.39	\$ 115,936.36

Note: Investments that have original maturities of three months or less are considered cash equivalents.

Credit Risk

- The District’s investment policy limits investments to SBA LGIP; direct obligations of the United States Government Agencies; certain Federal instrumentalities; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; repurchase agreements secured by collateral composed of negotiable direct obligations of the United States

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

Government, Government Agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper of the highest credit rating; certain Banker's Acceptances; certain highly rated state and local government taxable or tax-exempt debt; shares of open-end, no-load mutual funds registered under the Investment Company Act of 1940, provided that the portfolio invests primarily in short term government bonds and money market funds operated in accordance with 17 CFR 270.2a-7, provided the mutual fund is rated AAAf and the money market fund is rated AAm or AAm-G or better by Standard & Poor's, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that said funds contain no derivatives. Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval.

- As of June 30, 2009, the District's investment in LGIP is rated AAAM by Standards & Poor's. Fund B is unrated.
- At June 30, 2009, the District's investments in the Core Fund are rated AAAf/S1+ by Standard & Poor's. The Core Fund is a short-term United States Government bond fund.
- As of June 30, 2009, the District's investments in obligations of United States Government Agencies and Instrumentalities are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.
- As of June 30, 2009, the District's investments in the Morgan Stanley Institutional Liquidity Fund, Federated – Government Obligations Fund, and the Goldman Sachs Money Market Fund were all rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.

Custodial Credit Risk

- The District's investment policy requires that securities, with the exception of certificates of deposit, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Board, shall be properly designated as an asset of the Board. Certificates of deposit shall be placed in the provider's safekeeping department for the term of the deposit. As of June 30, 2009, all investments are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the School Board.

All District investments are in compliance with District policy in relation to interest rate risk, credit risk, and custodial credit risk with the exception of Fund B in which the District is an involuntary participant.

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

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 808,986.52	\$	\$	\$ 808,986.52
Construction in Progress	108,101.75	2,770,025.61	138,294.42	2,739,832.94
Total Capital Assets Not Being Depreciated	917,088.27	2,770,025.61	138,294.42	3,548,819.46
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,344,368.93	31,381.00		3,375,749.93
Buildings and Fixed Equipment	86,522,491.67	765,857.85		87,288,349.52
Furniture, Fixtures, and Equipment	7,974,400.01	340,704.77	358,639.15	7,956,465.63
Motor Vehicles	6,941,531.73	1,358,609.00	486,535.44	7,813,605.29
Property Under Capital Lease		97,070.00		97,070.00
Audio Visual Materials	25,626.36	2,764.22		28,390.58
Computer Software	1,612,282.57	70,346.52	30,750.18	1,651,878.91
Total Capital Assets Being Depreciated	106,420,701.27	2,666,733.36	875,924.77	108,211,509.86
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,124,709.04	133,386.50		2,258,095.54
Buildings and Fixed Equipment	22,359,569.36	1,959,081.99		24,318,651.35
Furniture, Fixtures, and Equipment	5,317,533.26	680,755.09	350,339.08	5,647,949.27
Motor Vehicles	4,129,140.42	547,607.95	483,039.88	4,193,708.49
Property Under Capital Lease		9,707.00		9,707.00
Audio Visual Materials	20,987.92	4,795.81		25,783.73
Computer Software	1,206,816.15	107,491.96	30,311.38	1,283,996.73
Total Accumulated Depreciation	35,158,756.15	3,442,826.30	863,690.34	37,737,892.11
Total Capital Assets Being Depreciated, Net	71,261,945.12	(776,092.94)	12,234.43	70,473,617.75
Governmental Activities Capital Assets, Net	\$ 72,179,033.39	\$ 1,993,932.67	\$ 150,528.85	\$ 74,022,437.21

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

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 514,931.80
Unallocated	2,927,894.50
	\$ 3,442,826.30
Total Depreciation Expense - Governmental Activities	\$ 3,442,826.30

5. OBLIGATION UNDER CAPITAL LEASE

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

	Asset Balance
Motor Vehicle - Dump Truck	\$ 97,070.00
	\$ 97,070.00

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

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 21,876.00	\$ 18,319.21	\$ 3,556.79
2011	21,876.00	19,177.99	2,698.01
2012	21,876.00	20,077.04	1,798.96
2013	21,876.00	21,018.23	857.77
2014	6,791.96	6,722.76	69.20
	\$ 94,295.96	\$ 85,315.23	\$ 8,980.73
Total Minimum Lease Payments	\$ 94,295.96	\$ 85,315.23	\$ 8,980.73

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

6. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 150,000	4.375 - 4.750	2019
Series 2005B, Refunding	1,605,000	5.0	2018
District Revenue and Refunding Bonds:			
Series 2003	<u>5,315,000</u>	2.625 - 4.750	2033
Total Bonds Payable	<u>\$ 7,070,000</u>		

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

➤ **State School Bonds**

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

➤ **District Revenue and Refunding Bonds of 2003**

These bonds are generally referred to as Capital Improvement Revenue and Refunding Bonds, Series 2003, and are authorized by Chapter 73-498, Special Acts of 1973, as amended by Chapter 74-501, Special Acts of 1974, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Jackson County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The Series 2003 bonds were issued to provide funds, together with other available funds of the Board, sufficient to refund the District’s outstanding Refunding Revenue Bonds, Series 1987, and Series 1994; finance the cost of acquisition, construction, and installation of, and renovation to, certain capital improvements and educational facilities within the District; and pay costs associated with the issuance of the bonds.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 247,187.50	\$ 160,000.00	\$ 87,187.50
2011	244,312.50	165,000.00	79,312.50
2012	246,137.50	175,000.00	71,137.50
2013	237,462.50	175,000.00	62,462.50
2014	243,768.75	190,000.00	53,768.75
2015-2019	1,006,200.00	890,000.00	116,200.00
Total State School Bonds	2,225,068.75	1,755,000.00	470,068.75
District Revenue Bonds:			
2010	362,971.26	130,000.00	232,971.26
2011	359,315.02	130,000.00	229,315.02
2012	360,171.27	135,000.00	225,171.27
2013	360,527.52	140,000.00	220,527.52
2014	360,449.39	145,000.00	215,449.39
2015-2019	1,792,949.39	805,000.00	987,949.39
2020-2024	1,792,375.00	1,000,000.00	792,375.00
2025-2029	1,783,318.75	1,255,000.00	528,318.75
2030-2034	1,769,156.25	1,575,000.00	194,156.25
Total District Revenue Bonds	8,941,233.85	5,315,000.00	3,626,233.85
Total	\$ 11,166,302.60	\$ 7,070,000.00	\$ 4,096,302.60

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligation Under Capital Lease	\$	\$ 97,070.00	\$ 11,754.77	\$ 85,315.23	\$ 18,319.21
Bonds Payable	7,350,000.00		280,000.00	7,070,000.00	290,000.00
Compensated Absences Payable	4,244,672.60	399,738.17	222,539.69	4,421,871.08	268,595.94
Postemployment Healthcare Benefits Payable		630,939.00	364,972.00	265,967.00	
Total Governmental Activities	\$ 11,594,672.60	\$ 1,127,747.17	\$ 879,266.46	\$ 11,843,153.31	\$ 576,915.15

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

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 506,710.80	\$ 110,126.36
Special Revenue:		
Other	105,736.34	345,296.66
Nonmajor Governmental	6,317.83	137,482.83
Fiduciary		25,859.12
Total	\$ 618,764.97	\$ 618,764.97

The above interfund receivables and payables primarily represent amounts due to the General Fund for expenditures incurred prior to reimbursement from outside parties and for loans to cover food service operating costs. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 860,307.99	\$
Capital Projects:		
Other		286,496.14
Nonmajor Governmental		573,811.85
Total	\$ 860,307.99	\$ 860,307.99

The interfund transfers represent reimbursement for capital outlay expenditures initially charged to the General Fund.

9. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

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Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$14,752.88 at June 30, 2009.

10. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 28,827,396.00
Categorical Educational Programs:	
Class Size Reduction	6,870,323.00
Transportation	1,847,712.00
Instructional Materials	689,658.00
School Recognition	379,858.00
Florida Teachers Lead	99,905.00
Excellent Teaching	87,414.44
Gross Receipts Tax (Public Education Capital Outlay)	1,933,929.00
Classrooms for Kids	1,750,000.00
Adults with Disabilities	1,663,346.00
Workforce Development Program	525,673.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	287,053.65
Discretionary Lottery Funds	163,314.00
Food Service Supplement	51,187.00
Miscellaneous	828,937.49
	<u>828,937.49</u>
 Total	 <u><u>\$ 46,005,706.58</u></u>

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

11. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.107	\$ 7,933,210
Basic Discretionary Local Effort	0.498	773,593
Supplemental Discretionary Local Effort	0.250	388,350
	<u>0.250</u>	<u>388,350</u>
 Total	 <u><u>5.855</u></u>	 <u><u>\$ 9,095,153</u></u>

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DISTRICT SCHOOL BOARD
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12. FLORIDA RETIREMENT SYSTEM

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 82 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$245,358.32.

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FRS Retirement Contribution Rates

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

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$3,491,058.10, \$3,721,097.68, and \$3,671,570.68, respectively, which were equal to the required contributions for each fiscal year.

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

13. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$9,113,684 at the July 1, 2008, date of transition amortized over 30 years. The liability is based on an actuarial valuation date of October 1, 2007, and is applicable to the fiscal year ending June 30, 2009. No liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former

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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 plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Contribution requirements of the District and plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 111 retirees received postemployment healthcare benefits. The District provided required contributions of \$364,972 toward the annual OPEB cost. Plan members receiving benefits contributed \$738,291 through their required contributions ranging from \$407 to \$447 per month for retiree-only coverage, and from \$748 to \$820 for retiree and spouse coverage, depending on the plan.

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

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Description	Amount
Normal Cost (service cost for one year)	\$ 319,797
Amortization of Unfunded Actuarial Accrued Liability	294,404
Interest on Normal Cost and Amortization	16,738
Annual Required Contribution	630,939
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	630,939
Annual OPEB Cost (Expense)	630,939
Contribution Toward the OPEB Cost	(364,972)
Increase in Net OPEB Obligation	265,967
Net OPEB Obligation, Beginning of Year	265,967
Net OPEB Obligation, End of Year	\$ 265,967

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/08	\$		\$ 0
2008-09	630,939	57.85%	265,967

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$9,113,684, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$9,113,684 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$24,260,227 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 37.57 percent.

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

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

The District's initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.65 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10 percent initially beginning October 1, 2008, reduced by 1 percent in the first year, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after 9 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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14. CONSTRUCTION CONTRACT COMMITMENTS

The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Graceville High School Athletic Facility:			
General Contractor	\$ 639,702.44	\$ 559,442.27	\$ 80,260.17
Architect	46,858.00	37,486.40	9,371.60
Direct Purchase Orders	2,012.56	1,980.00	32.56
Marianna High School Physical Education Building:			
General Contractor	723,753.38	181,480.77	542,272.61
Architect	59,759.35	47,807.48	11,951.87
Direct Purchase Orders	129,951.62	33,593.02	96,358.60
Malone School Gymnasium Renovation:			
General Contractor	663,935.76	137,333.85	526,601.91
Architect	53,830.00	42,551.25	11,278.75
Direct Purchase Orders	105,064.24	15,482.97	89,581.27
Districtwide Heating and Air Conditioning Project:			
General Contractor	2,619,685.53	1,142,805.03	1,476,880.50
Engineer	122,531.67	122,531.67	
Direct Purchase Orders	466,314.47	40,539.64	425,774.83
Roof Removal and Replacement Project:			
General Contractor	158,604.92	86,567.24	72,037.68
Architect	9,611.00	9,200.00	411.00
Direct Purchase Orders	21,304.92		21,304.92
Total	\$ 5,822,919.86	\$ 2,458,801.59	\$ 3,364,118.27

15. 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 Jackson County District School Board is a member of the Panhandle Area Educational Consortium – Risk Management Consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent and reports the financial balances and transactions for the Consortium. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

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

16. LOSS CONTINGENCIES

The District received financial assistance from various Federal agencies in the form of grants and appropriations during the 2008-09 fiscal year. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination either directly by the agency itself, or indirectly by the grants management department of the Florida Department of Education if they are acting as fiscal agent and compliance monitor. Any disallowed claims based on the United States Office of Management and Budget's *Circular A-133 Compliance Supplement* could become a liability of the General Fund. Consequently, the District has designated, for potential payback to the grantor, a portion of the General Fund unreserved fund balance in an amount equal to the Federal Title I, Special Education, and Twenty-First Century Community Learning Centers programs questioned costs from the 2005-06 and 2006-07 fiscal years. These questioned costs, which remain unresolved at June 30, 2009, total \$156,679 and \$138,302, respectively.

As a result of inquiries to the Florida Department of Education (grantor) by the District, in November 2009, the grantor issued a letter of determination regarding the questioned costs cited above. The grantor required the District to restore only \$119,379 of the questioned costs. The District has agreed to restore the questioned costs during the 2009-10 fiscal year to the respective programs.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local	75,000.00	330,991.69	331,022.57	30.88
State	42,549,734.00	41,532,347.14	41,608,435.38	76,088.24
Local:				
Property Taxes	8,639,484.00	8,761,588.78	8,763,403.14	1,814.36
Miscellaneous	725,000.00	1,418,991.64	1,452,312.99	33,321.35
Total Revenues	51,989,218.00	52,043,919.25	52,155,174.08	111,254.83
Expenditures				
Current - Education:				
Instruction	33,369,377.12	30,867,986.85	30,631,236.78	236,750.07
Pupil Personnel Services	3,358,867.00	3,471,246.40	3,461,805.50	9,440.90
Instructional Media Services	764,058.00	814,795.14	786,602.71	28,192.43
Instruction and Curriculum Development Services	1,202,635.00	1,043,454.22	1,042,826.57	627.65
Instructional Staff Training Services	130,243.00	137,363.00	122,591.97	14,771.03
Instruction Related Technology	778,521.00	728,521.00	713,193.77	15,327.23
Board of Education	413,040.00	667,003.29	653,559.91	13,443.38
General Administration	316,642.00	326,590.91	318,561.64	8,029.27
School Administration	3,718,811.00	3,611,514.18	3,586,702.70	24,811.48
Facilities Acquisition and Construction	288,136.00	350,835.34	342,627.56	8,207.78
Fiscal Services	453,698.00	450,439.18	444,724.78	5,714.40
Food Services		9,253.25	9,123.42	129.83
Central Services	448,405.00	476,670.96	436,255.29	40,415.67
Pupil Transportation Services	4,000,177.00	2,688,239.52	2,663,400.92	24,838.60
Operation of Plant	5,697,786.00	6,012,442.92	5,979,744.83	32,698.09
Maintenance of Plant	2,029,190.00	2,050,027.37	2,020,829.04	29,198.33
Administrative Technology Services	562,072.00	520,112.40	463,486.07	56,626.33
Community Services	88,547.00	88,570.13	71,834.52	16,735.61
Fixed Capital Outlay:				
Facilities Acquisition and Construction		12,574.78	12,574.78	
Other Capital Outlay		1,584,006.55	1,584,006.55	
Debt Service:				
Principal		11,754.77	11,754.77	
Interest and Fiscal Charges		2,829.23	2,829.23	
Total Expenditures	57,620,205.12	55,926,231.39	55,360,273.31	565,958.08
Deficiency of Revenues Under Expenditures	(5,630,987.12)	(3,882,312.14)	(3,205,099.23)	677,212.91
Other Financing Sources				
Transfers In	753,000.00	864,510.83	860,307.99	(4,202.84)
Insurance Loss Recoveries		99,390.31	99,390.31	
Total Other Financing Sources	753,000.00	963,901.14	959,698.30	(4,202.84)
Net Change in Fund Balances	(4,877,987.12)	(2,918,411.00)	(2,245,400.93)	673,010.07
Fund Balances, Beginning	20,734,362.29	20,734,362.29	20,734,362.29	
Fund Balances, Ending	\$ 15,856,375.17	\$ 17,815,951.29	\$ 18,488,961.36	\$ 673,010.07

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,706,794.00	\$ 1,707,232.00	\$ 1,707,231.79	\$ (0.21)
4,398,296.58	6,156,069.61	5,373,978.37	(782,091.24)
<u>6,105,090.58</u>	<u>7,863,301.61</u>	<u>7,081,210.16</u>	<u>(782,091.45)</u>
4,229,785.04	4,743,387.73	4,512,413.55	230,974.18
215,675.04	240,348.31	217,764.57	22,583.74
657,509.65	1,084,844.52	1,030,885.02	53,959.50
384,065.61	896,050.23	508,973.94	387,076.29
53,329.00	176,264.20	134,980.74	41,283.46
203,316.56	233,392.48	222,517.01	10,875.47
86,931.60	85,623.45	85,623.45	
16,800.00	3,499.35	3,499.35	
14,983.70	21,621.32	21,621.32	
6,616.00	7,918.44	7,770.22	148.22
174,860.00	121,114.72	74,519.72	46,595.00
59,665.05	70,595.29	70,575.72	19.57
1,553.33	638.14	638.14	
	300.00	17.01	282.99
	36,000.00	27,740.77	8,259.23
	2,700.00	2,700.00	
	169,402.83	169,402.83	
<u>6,105,090.58</u>	<u>7,893,701.01</u>	<u>7,091,643.36</u>	<u>802,057.65</u>
	<u>(30,399.40)</u>	<u>(10,433.20)</u>	<u>19,966.20</u>
	(30,399.40)	(10,433.20)	19,966.20
30,399.40	30,399.40	30,399.40	
<u>\$ 30,399.40</u>	<u>\$ 0.00</u>	<u>\$ 19,966.20</u>	<u>\$ 19,966.20</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	\$ 0	\$ 9,113,684	\$ 9,113,684	0.00%	\$ 24,260,227	37.57%

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

1. GAAP TO BUDGET COMPARISON

Budgets are adopted on a basis consistent with generally accepted accounting principles except that generally accepted accounting principles for capital leases require the recording of a capital outlay expenditure and a corresponding financing resource in the current period; whereas, budget basis accounting requires appropriations in the current and future periods only to the extent of the annual capital lease payments.

	General Fund	
	Expenditures	Other Financing Sources (Uses)
Generally Accepted Accounting Principles	\$ 55,457,343.31	\$ 97,070.00
Adjustment for Capital Leases	(97,070.00)	(97,070.00)
	\$ 55,360,273.31	\$ 0.00

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 630,584.61
National School Lunch Program	10.555	300, 350	1,590,522.93
Summer Food Service Program for Children	10.559	323	34,650.88
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	210,421.94
Total United States Department of Agriculture			2,466,180.36
United States Department of Labor:			
Indirect:			
Chipola Regional Workforce Development Board, Inc.:			
WIA Adult Program	17.258	0809-05	4,592.14
Florida's Great Northwest, Inc.:			
WIA Pilots, Demonstrations, and Research Projects	17.261	None	9,150.70
Total United States Department of Labor			13,742.84
United States Department of Transportation:			
Indirect:			
Florida Department of Transportation:			
State and Community Highway Safety	20.600	APA63	24,390.00
United States Department of Education:			
Direct:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	8,945.00
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	1,730,594.92
Special Education - Preschool Grants	84.173	266, 267	95,628.57
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	85,975.42
Total Special Education Cluster			1,912,198.91
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	104,474.32
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,912,162.37
Career and Technical Education - Basic Grants to States	84.048	161	249,030.94
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	07-144-VH447	27,740.77
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	25,476.54
Education Technology State Grants	84.318	121, 122	301,079.29
Rural Education	84.358	110	63,825.53
Improving Teacher Quality State Grants	84.367	224	607,323.93
School Improvement Grants	84.377	126	3,474.09
Washington County District School Board:			
Reading First State Grants	84.357	None	121,477.63
Total Indirect			5,328,264.32
Total United States Department of Education			5,337,209.32
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (3)	N/A	1,707,231.79
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	9,069.41
United States Department of Homeland Security:			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	187,297.95
Total Expenditures of Federal Awards			\$ 9,745,121.67

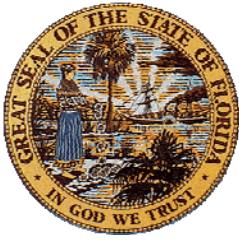
Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement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

(2) Noncash Assistance.

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

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of renovation of weather housing and wiring for an emergency shelter generator.

(3) Head Start. Expenditures include \$1,707,231.79 for grant number 04CH0382/18.



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

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

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

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

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

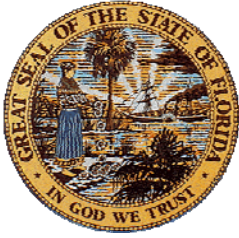
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
January 26, 2010



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

Internal Control Over Compliance

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

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 26, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553,10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and Head Start (CFDA No. 93.600)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

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

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriations 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

During the 2008-09 fiscal year, the District reported 132,462 contact hours to FDOE. We tested the hours reported for 30 students enrolled in 68 adult general education courses, and noted various reporting exceptions for 19 of the students tested, resulting in 3,115 net hours overreported for 50 classes, as follows:

- Since classes are held within five-hour daily and three-hour nightly schedules, contact hours should only be reported up to a maximum of five hours per day and three hours per night for each student. However, for 12 students enrolled in 37 classes, we noted the District did not limit the number of hours reported to the maximum attendance hours, resulting in 2,322 hours overreported, ranging from 6 to 685 hours overreported. According to District staff, it was unclear what caused these errors, but efforts would be made to determine a solution.
- For five students enrolled in nine classes, contact hours were overreported by 812 hours, ranging from 20 hours to 236 hours overreported. As similarly noted above, District staff could not explain why the overreported hours occurred, but indicated that corrective action would be taken.
- For one student enrolled in two classes, the original entry date was incorrectly recorded by the District due to a clerical error, resulting in 66 hours overreported.
- For one student enrolled in two classes, the District mistakenly reported the reenrollment date instead of using the first enrollment date as required, resulting in 85 hours underreported.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2009-118.

Recommendation: **The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to FDOE. Further, the District should determine the extent of adult general education hours overreported and contact FDOE for proper resolution.**

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:**Federal Agency: United States Department of Agriculture****Pass-Through Entity: Florida Department of Education****Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)****Finding Type: Noncompliance****Questioned Costs: Not Applicable**

Special Tests and Provisions - Verifications. Title 7, Section 245.6, Code of Federal Regulations, provides application and other documentation requirements for a child to qualify for meals served free or at a reduced price under the School Breakfast and National School Lunch programs. Further, Public Law 108-265 provides, in part, that the District must verify the household income of 3 percent of the free and reduced price applications. A United States Department of Agriculture memorandum dated November 19, 2004, provides that the basic sample must generally be drawn from error-prone applications defined as within \$1,200 of the annual or \$100 of the monthly income limit for free or reduced price meal eligibility. In lieu of the basic sample size, the District may elect to use an alternative sample size if one of the two following conditions is met: (1) the District's nonresponse rate for the preceding school year is less than 20 percent; or (2) the District's nonresponse rate for the preceding school year was at least 10 percent below the verification nonresponse rate for the second preceding school year.

The District's nonresponse rates were 67.3 percent for the preceding school year (2007-08) and 65.2 percent for the second preceding school year (2006-07). As such, the District should have selected its verification sample from error-prone applications only; however, for the 2008-09 school year, the District selected its sample from all approved applications excluding applications verified in the prior year, contrary to the Federal requirements. District personnel indicated that they used a computer program to select the sample, and inadvertently selected the wrong method. Following this verification process, the District potentially decreased its chance of selecting applications that contained errors.

Recommendation: The District should enhance its procedures to ensure that free and reduced price meal verification samples are selected pursuant to Federal requirements.

District Contact Person: H. Larry Moore, Deputy Superintendent

Federal Awards Finding No. 2:

Federal Agency: United States Department of Agriculture, United States Department of Education, and United States Department of Health and Human Services

Pass-Through Entity: Florida Department of Education

Award Number: 04SE0382/01

Program: ARRA: Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); SFSF – Government Services, Recovery Act (CFDA No. 84.397); and Head Start (CFDA No. 93.708)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Reporting and Special Tests and Provisions. The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds and measure results, recipients are required to report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store, and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

The District received approval for ARRA Federal funding from two grantors, the Florida Department of Education (FDOE) and the United States Department of Health and Human Services (USDHHS), as shown in the table below:

Grantor	Grant (CFDA Number)	Award Amount
FDOE	ARRA – Child Nutrition Discretionary (10.579)	\$ 43,114
FDOE	ARRA – Education for Homeless Children and Youth (84.387)	24,737
FDOE	ARRA – Title I (84.389)	537,587
FDOE	ARRA – Special Education (84.391)	832,305
FDOE	ARRA – Special Education, Preschool (84.392)	26,207
FDOE	ARRA – State Fiscal Stabilization (84.394)	2,171,487
FDOE	ARRA – State Fiscal Stabilization (84.397)	114,826
USDHHS	ARRA – Head Start (93.708)	126,884

Our review of District records and inquiry with District personnel disclosed that the District was initially unaware of the registration requirements, and had not registered in the CCR system as of June 30, 2009. Subsequent to our inquiries, on August 3, 2009, District personnel registered the District with CCR and indicated that the Director of Finance would be responsible for future renewals with CCR. Without timely registration in the CCR system, the District may be limited in its eligibility to receive ARRA Federal funds and Federal direct funds.

Recommendation: The District should continue its efforts to ensure timely renewal in the Central Contractor Registration website on an annual basis as required.

District Contact Person: Terry St. Cyr, Director of Finance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and in the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-118.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2007-095 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Allowable Costs/Cost Principles	The District needed to enhance its procedures for maintaining documentation to support the allocation of salaries and benefits to the Title I program. The District made salary payments, totaling \$19,091, that were not supported by time and effort certifications or other documentation for time worked in the District's two targeted assistance schools. In addition, the District made payments for the District's two targeted assistance schools, totaling \$7,850, for expenditures which were not exclusively used for the Title I program. These payments, totaling \$26,941, are subject to disallowance by the grantor.	Partially corrected	The District no longer has any Title I targeted assistance schools. The District plans to restore the questioned costs.
2007-095 (2)	Special Education - Grants to States (CFDA No. 84.027) / Allowable Costs/Cost Principles	The District made payments, totaling \$37,300, to a contracted vendor for which the hours worked were not documented and thus are subject to disallowance by the grantor.	Partially corrected	The District plans to restore the questioned costs.
2007-095 (7)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Matching, Level of Effort, Earmarking	The District sent out parental notification letters that excluded certain language required by Federal regulations, such as an explanation of how parents could become involved in addressing academic issues that led to the school's identification as one in need of improvement, and that the District would be responsible for transportation costs to relocate students to schools that met the adequate yearly progress standards. In addition, the District made payments, totaling \$92,438, for supplemental educational services to certain providers that were not State-approved, which are subject to disallowance by the grantor.	Partially corrected	The District plans to restore the questioned costs.
2008-105 (2)	Twenty-First Century Community Learning Centers (CFDA No. 84.287) / Matching, Level of Effort, Earmarking	The District needed to establish procedures to ensure that Federal matching requirements are met and properly supported. In addition, the District was unable to provide documentation to evidence support for certain costs, which resulted in questioned costs totaling \$138,302.	Partially corrected	The District plans to restore the questioned costs.
2009-118 (1)	Twenty-First Century Community Learning Centers (CFDA No. 84.287) / Matching, Level of Effort, Earmarking	The District had not established procedures to ensure that Federal matching requirements are met and properly supported. Additionally, the District did not provide documentation to evidence support for certain costs, which resulted in questioned costs totaling \$229,300.	Corrected	The pass-through grantor did not require the District to restore questioned costs.

EXHIBIT A
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF JACKSON COUNTY



Lee W. Miller
Superintendent of Schools

2903 Jefferson Street
P. O. Box 5958
Marianna, Florida 32447
Telephone 850-482-1200
Fax 850-482-1299

January 26, 2010

Subject: District Response to Preliminary and Tentative Audit Findings for the Year Ended 6/30/09.

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

Dear Mr. Martin:

In regard to your letter dated January 6, 2010, please find the enclosed response to the "Preliminary and Tentative Audit Findings" for the Jackson County School District for the fiscal year ended June 30, 2009.

We would like to thank your staff for their usual courtesy and professionalism during the course of the audit. Please call me if you have questions or comments.

Sincerely,

Lee Miller
Superintendent

Attachment: Jackson County DSB Response

Terry E. Nichols
District 1

Kenneth R. Griffin
District 2

Betty B. Duffee
District 3

Chris M. Johnson
District 4

Charlotte M. Gardner
District 5

An Equal Opportunity Employer

JACKSON COUNTY SCHOOL BOARD
RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Courses

The District has consulted with the Florida Department of Education over the proper reporting of instructional contact hours for adult general education courses and has implemented controls and improvements to ensure better reporting accuracy and accountability. In addition, the extent of the overreported hours has been determined and resolved in conjunction with DOE.

FEDERAL AWARDS

Finding No. 1: Child Nutrition Cluster

The District's food service department has initiated additional procedures to ensure that free and reduced-price meal verification samples are selected pursuant to Federal requirements.

Finding No. 2: ARRA Reporting

The District plans to annually register with the Central Contractor Registration database in accordance with federal requirements.