

**DIXIE COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2009



## BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
David Keen	1
Timothy W. Alexander, Chair	2
Dwayne Rollison	3
Patrick W. Bell to 11-17-08	4
Cheryl C. Pridgeon from 11-18-08	4
Glenn Osteen, Vice Chair	5

Dennis W. Bennett, Superintendent to 11-17-08  
Mark A. Rains, 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 Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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DIXIE COUNTY DISTRICT SCHOOL BOARD  
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY .....	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS .....	9
Statement of Net Assets .....	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	19
Notes to Financial Statements .....	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	34
Budgetary Comparison Schedule – General and Major Special Revenue Funds .....	34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	36
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	37
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i> .....	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS .....	46
EXHIBIT A – MANAGEMENT'S RESPONSE .....	47

## EXECUTIVE SUMMARY

### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness as summarized below.

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

#### MATERIAL WEAKNESS

Finding No. 1: Improvements are needed in District procedures to ensure that certain account balances, transactions, and note disclosures are properly reported on the financial statements.

#### ADDITIONAL MATTERS

Finding No. 2: The District needed to strengthen procedures over contractual services to ensure that it properly receives the services before it pays for them.

Finding No. 3: Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

Finding No. 4: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 5: Certain security controls related to user authentication needed improvement.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Improving Teacher Quality, and Hazard Mitigation programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Dixie 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. 2009-134.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dixie 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 42 percent of the assets and 97 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Dixie Education Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Dixie 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 Dixie County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **BUDGETARY COMPARISON SCHEDULE** (pages 34 and 35) 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  
February 16, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Dixie County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 32.

### FINANCIAL HIGHLIGHTS

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

- The assets of the District exceeded its liabilities at June 30, 2009, by \$29,904,325.67.
- The District's total net assets increased by \$697,858.41.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$3,634,001.34, an increase of \$749,333.05 in comparison with the prior fiscal year.

### 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.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report, the Dixie Education Foundation, Inc. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

## Fund Financial Statements

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

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

**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:

	<b>Net Assets, End of Year</b>	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current Assets	\$ 4,076,467.01	\$ 3,120,116.88
Capital Assets	28,870,709.09	29,183,723.60
<b>Total Assets</b>	<b>32,947,176.10</b>	<b>32,303,840.48</b>
Long-Term Liabilities	2,600,384.76	2,861,924.63
Other Liabilities	442,465.67	235,448.59
<b>Total Liabilities</b>	<b>3,042,850.43</b>	<b>3,097,373.22</b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	28,300,709.09	28,573,723.60
Restricted	1,788,026.49	1,637,576.26
Unrestricted Deficit	(184,409.91)	(1,004,832.60)
<b>Total Net Assets</b>	<b>\$ 29,904,325.67</b>	<b>\$ 29,206,467.26</b>

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District’s net assets represents resources that are subject to external restrictions on how they may be used.

The unrestricted net assets are used to meet the government’s ongoing obligations to students, employees, and creditors. The District’s deficit unrestricted net assets results primarily from the recognition of a liability for accumulated employee annual and sick leave balances reported as compensated absences. This liability, totaling \$1,522,839.98, will be paid over future years when vested employees are paid for their accumulated leave upon separation from the District.

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

	<b>Operating Results for the Year</b>	
	Governmental Activities	
	6-30-09	6-30-08
<b>Program Revenues:</b>		
Charges for Services	\$ 290,615.49	\$ 350,474.85
Operating Grants and Contributions	1,361,392.90	1,366,764.53
Capital Grants and Contributions	844,375.99	1,679,599.37
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	3,505,899.03	3,460,412.60
Property Taxes, Levied for Capital Projects	1,059,560.39	1,232,901.68
Grants and Contributions Not Restricted to Specific Programs	12,971,632.59	13,615,647.09
Unrestricted Investment Earnings	61,426.36	113,607.06
Miscellaneous	268,183.16	220,350.90
<b>Total Revenues</b>	<b>20,363,085.91</b>	<b>22,039,758.08</b>
<b>Functions/Program Expenses:</b>		
Instruction	9,295,632.64	10,300,818.94
Pupil Personnel Services	743,688.09	777,359.46
Instructional Media Services	63,706.64	71,129.27
Instruction and Curriculum Development Services	501,211.85	572,490.97
Instructional Staff Training Services	575,953.51	577,812.07
Instruction Related Technology	358,878.08	393,951.78
Board of Education	238,972.07	236,892.87
General Administration	278,187.99	262,732.79
School Administration	1,022,224.11	1,221,904.07
Facilities Acquisition and Construction	396,187.91	725,086.72
Fiscal Services	529,000.10	455,174.24
Food Services	1,023,323.63	1,098,371.28
Central Services	55,179.16	42,960.62
Pupil Transportation Services	1,385,509.00	1,469,523.08
Operation of Plant	1,786,749.49	2,008,733.09
Maintenance of Plant	96,844.50	66,901.94
Administrative Technology Services	45,067.57	49,537.95
Interest on Long-Term Debt	29,330.17	30,835.91
Unallocated Depreciation Expense	1,239,580.99	1,297,964.22
<b>Total Functions/Program Expenses</b>	<b>19,665,227.50</b>	<b>21,660,181.27</b>
<b>Increase in Net Assets</b>	<b>\$ 697,858.41</b>	<b>\$ 379,576.81</b>

Governmental activities increased the District’s net assets by \$697,858.41. Overall, revenues decreased by \$1.7 million, which was partially offset by a reduction in spending in other areas. Decreases in capital grants and contributions were noted due to the receipt in the previous fiscal year of \$1.1 million of Class Size Reduction and Classrooms for Kids funding for the completion of the new classroom pod at Ruth Rains Middle School. In response to the economic decline, the District decreased instruction expenses by \$1 million, or 10 percent, primarily through staffing reductions, the related decrease in retirement contributions and by curtailing all nonessential expenses. The current year expenditures included depreciation expense of \$1,461,809.06, part of which was allocated to the transportation function, with the remainder being reported as unallocated.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Major Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,634,001.34, an increase of \$749,333.05 in comparison with the previous fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved fund balance is \$1,227,756.88, while the total fund balance is \$1,989,746.21, as compared to \$714,784.59 and \$1,361,249.11, respectively, in the previous fiscal year. This increase in fund balance can be attributed to aggressive cutbacks in spending and decreases in employee costs through attrition. In addition, \$291,898.86 of general operating funds previously set aside for capital projects was transferred from the Capital Projects Fund to the General Fund to supplement general operating funds. Unreserved fund balance represents 8 percent of total General Fund revenue and the total fund balance represents 13 percent of total General Fund revenue.

The Special Revenue – Other Fund is used to account for Federal grant programs, and allowed expenditures are specified by grant agreements. Since the revenues in this fund are equal to amounts expended, there is no ending fund balance.

The Capital Projects – Public Education Capital Outlay (PECO) and the Capital Projects – Local Capital Improvement (LCI) Funds have fund balances of \$186,968.95 and \$1,216,213.16, respectively. These funds are to be used for District capital projects. PECO funds were used for the completion of the new classroom pod and as a result, the PECO Fund fund balance decreased by 35 percent. Since the District did not have any new major construction projects during this fiscal year, the fund balance in the LCI Fund increased by 62 percent.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District amended its General Fund budget which resulted in a decrease in total budgeted revenues amounting to \$410,833.84. At the same time, final budgeted appropriations were less than the original budgeted amounts by \$133,519.59. Budget revisions were due primarily to changes in estimated Federal and State funding, and adjustments to planned expenditures for changes in programmatic and operational needs.

Actual revenues were \$52,819.06 less than the final budget amounts, while actual expenditures were \$1,355,828.10 less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,273,009.04.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

The District's investment in capital assets for the governmental activities as of June 30, 2009, amounts to \$28,870,709.09 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The decrease in the District's investment in capital assets of 1 percent was mainly due to depreciation expense offset by current year improvements.

The following is a summary of the District’s capital assets (net of accumulated depreciation) for the fiscal years ended June 30, 2008, and June 30, 2009.

	<b>Capital Assets, Net</b>	
	Governmental	
	Activities	
	6-30-09	6-30-08
Land	\$ 382,249.40	\$ 382,249.40
Improvements Other than Buildings	1,820,095.63	1,338,590.48
Buildings and Fixed Equipment	24,559,980.53	25,098,369.10
Furniture, Fixtures, and Equipment	631,203.81	758,253.72
Motor Vehicles	1,201,720.55	1,216,607.12
Audio Visual Materials and Computer Software	275,459.17	389,653.78
	<u>\$ 28,870,709.09</u>	<u>\$ 29,183,723.60</u>

Major capital asset events that occurred during the current fiscal year included the completion of the new classroom pod at Ruth Rains Middle School, the purchase of two buses and two trucks, new equipment and software, and substantial completion of an emergency shelter generator at Old Town Elementary. Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2009, the District had total long-term bonded debt outstanding of \$570,000. This is backed by the full faith and credit of the State of Florida.

Additional information on the District’s long-term debt can be found in Notes 5 and 6 to the financial statements.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance and Business Services, Dixie County District School Board, 823 SE 349 Highway, Building 12, Old Town, Florida 32680.

**BASIC FINANCIAL STATEMENTS**

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,507,135.25	\$ 109,754.00
Investments	15,856.44	
Accounts Receivable	1,181.73	45.00
Prepaid Items	6,773.97	
Due from Other Agencies	415,711.92	
Inventories	129,807.70	
Capital Assets:		
Nondepreciable Capital Assets	382,249.40	65,461.00
Depreciable Capital Assets, Net	28,488,459.69	
<b>TOTAL ASSETS</b>	<u>\$ 32,947,176.10</u>	<u>\$ 175,260.00</u>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 4,554.29	\$
Accounts Payable	88,219.90	
Deferred Revenue	311,743.00	
Deposits Payable	37,948.48	
Long-Term Liabilities:		
Portion Due Within One Year	346,005.28	
Portion Due After One Year	2,254,379.48	
<b>Total Liabilities</b>	<u>3,042,850.43</u>	
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	28,300,709.09	
Restricted for:		
State Categorical Programs	303,529.86	
Debt Service	15,856.44	
Capital Projects	1,468,640.19	
Unrestricted	(184,409.91)	175,260.00
<b>Total Net Assets</b>	<u>29,904,325.67</u>	<u>175,260.00</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 32,947,176.10</u>	<u>\$ 175,260.00</u>

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

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 9,295,632.64	\$ 56,966.40	\$
Pupil Personnel Services	743,688.09		
Instructional Media Services	63,706.64		
Instruction and Curriculum Development Services	501,211.85		
Instructional Staff Training Services	575,953.51		
Instruction Related Technology	358,878.08		
Board of Education	238,972.07		
General Administration	278,187.99		
School Administration	1,022,224.11		
Facilities Acquisition and Construction	396,187.91		626,734.86
Fiscal Services	529,000.10		
Food Services	1,023,323.63	232,979.03	824,306.90
Central Services	55,179.16		
Pupil Transportation Services	1,385,509.00	670.06	537,086.00
Operation of Plant	1,786,749.49		
Maintenance of Plant	96,844.50		149,796.00
Administrative Technology Services	45,067.57		
Interest on Long-Term Debt	29,330.17		67,845.13
Unallocated Depreciation Expense	1,239,580.99		
<b>Total Primary Government</b>	<b>\$ 19,665,227.50</b>	<b>\$ 290,615.49</b>	<b>\$ 1,361,392.90</b>
<b>Component Unit</b>			
Dixie Education Foundation, Inc.	\$ 95,739.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Assets**

Net Assets - Beginning

**Net Assets - Ending**

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (9,238,666.24)	\$
(743,688.09)	
(63,706.64)	
(501,211.85)	
(575,953.51)	
(358,878.08)	
(238,972.07)	
(278,187.99)	
(1,022,224.11)	
230,546.95	
(529,000.10)	
33,962.30	
(55,179.16)	
(847,752.94)	
(1,786,749.49)	
52,951.50	
(45,067.57)	
38,514.96	
(1,239,580.99)	
<u>(17,168,843.12)</u>	
	<u>(95,739.00)</u>
3,505,899.03	
1,059,560.39	
12,971,632.59	94,101.00
61,426.36	1,969.00
268,183.16	
<u>17,866,701.53</u>	<u>96,070.00</u>
697,858.41	331.00
<u>29,206,467.26</u>	<u>174,929.00</u>
\$ <u>29,904,325.67</u>	\$ <u>175,260.00</u>

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

	General Fund	Special Revenue - Other Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,921,666.16	\$
Investments		
Accounts Receivable		
Prepaid Items	6,773.97	
Due from Other Funds	21,412.13	
Due from Other Agencies	75,726.99	21,412.13
Inventories	80,176.00	
	\$ 2,105,755.25	\$ 21,412.13
<b>TOTAL ASSETS</b>	<b>\$ 2,105,755.25</b>	<b>\$ 21,412.13</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Salaries and Benefits Payable	\$ 4,554.29	\$
Accounts Payable	73,506.27	
Due to Other Funds		21,412.13
Deferred Revenue		
Deposits Payable	37,948.48	
	116,009.04	21,412.13
<b>Total Liabilities</b>	<b>116,009.04</b>	<b>21,412.13</b>
Fund Balances:		
Reserved for State Categorical Programs	303,529.86	
Reserved for Encumbrances	371,509.50	
Reserved for Inventories	80,176.00	
Reserved for Debt Service		
Reserved for Other Purposes	6,773.97	
Unreserved:		
Designated, Reported in General Fund:		
Designated for Employee Terminal Pay	708,000.00	
Undesignated, Reported in:		
General Fund	519,756.88	
Special Revenue Funds		
Capital Projects Funds		
	1,989,746.21	
<b>Total Fund Balances</b>	<b>1,989,746.21</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,105,755.25</b>	<b>\$ 21,412.13</b>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 191,372.95	\$ 1,221,053.16	\$ 173,042.98	\$ 3,507,135.25
		15,856.44	15,856.44
		1,181.73	1,181.73
			6,773.97
311,743.00			21,412.13
		6,829.80	415,711.92
		49,631.70	129,807.70
<u>\$ 503,115.95</u>	<u>\$ 1,221,053.16</u>	<u>\$ 246,542.65</u>	<u>\$ 4,097,879.14</u>
\$ 4,404.00	\$ 4,840.00	\$ 5,469.63	\$ 4,554.29
			88,219.90
311,743.00			21,412.13
			311,743.00
			37,948.48
<u>316,147.00</u>	<u>4,840.00</u>	<u>5,469.63</u>	<u>463,877.80</u>
	260,070.31		303,529.86
		49,631.70	631,579.81
		15,856.44	129,807.70
			15,856.44
			6,773.97
			708,000.00
			519,756.88
186,968.95	956,142.85	110,126.80	110,126.80
		65,458.08	1,208,569.88
<u>186,968.95</u>	<u>1,216,213.16</u>	<u>241,073.02</u>	<u>3,634,001.34</u>
<u>\$ 503,115.95</u>	<u>\$ 1,221,053.16</u>	<u>\$ 246,542.65</u>	<u>\$ 4,097,879.14</u>

**DIXIE 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** \$ 3,634,001.34

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. 28,870,709.09

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:

Bonds Payable	\$ 570,000.00	
Early Retirement Incentive Payable	507,544.78	
Compensated Absences Payable	<u>1,522,839.98</u>	<u>(2,600,384.76)</u>

**Total Net Assets - Governmental Activities** \$ 29,904,325.67

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

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**DIXIE 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
<b>Revenues</b>		
Intergovernmental:		
Federal Through State and Local	\$ 273,343.14	\$ 2,003,094.76
State	11,233,505.77	
Local:		
Property Taxes	3,505,899.03	
Charges for Services - Food Service		
Miscellaneous	361,536.24	
<b>Total Revenues</b>	15,374,284.18	2,003,094.76
<b>Expenditures</b>		
Current - Education:		
Instruction	7,872,263.18	1,500,992.76
Pupil Personnel Services	601,830.91	165,869.64
Instructional Media Services	64,421.55	
Instruction and Curriculum Development Services	445,048.82	93,281.35
Instructional Staff Training Services	484,845.95	99,612.07
Instruction Related Technology	364,654.58	
Board of Education	238,972.07	
General Administration	197,386.11	85,434.52
School Administration	1,062,245.51	
Facilities Acquisition and Construction	9,029.00	
Fiscal Services	493,234.34	
Food Services	3,650.08	
Central Services	55,608.11	
Pupil Transportation Services	1,146,123.67	32,018.83
Operation of Plant	1,822,467.92	
Maintenance of Plant	96,873.10	
Administrative Technology Services	45,496.51	
Fixed Capital Outlay:		
Facilities Acquisition and Construction		
Other Capital Outlay	41,225.98	25,885.59
Debt Service:		
Principal		
Interest and Fiscal Charges		
<b>Total Expenditures</b>	15,045,377.39	2,003,094.76
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	328,906.79	
<b>Other Financing Sources (Uses)</b>		
Transfers In	291,898.86	
Insurance Loss Recoveries	7,691.45	
Transfers Out		
<b>Total Other Financing Sources (Uses)</b>	299,590.31	
<b>Net Change in Fund Balances</b>	628,497.10	
Fund Balances, Beginning	1,361,249.11	
<b>Fund Balances, Ending</b>	\$ 1,989,746.21	\$ 0.00

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 149,796.00	\$	\$ 800,846.90	\$ 3,077,284.80
		105,714.91	11,489,016.68
	1,059,560.39		4,565,459.42
2,894.17	11,748.96	232,979.03	232,979.03
		3,375.16	379,554.53
<u>152,690.17</u>	<u>1,071,309.35</u>	<u>1,142,916.00</u>	<u>19,744,294.46</u>
			9,373,255.94
			767,700.55
			64,421.55
			538,330.17
			584,458.02
			364,654.58
			238,972.07
			282,820.63
106,009.34	281,149.57		1,062,245.51
			396,187.91
		1,027,108.65	493,234.34
			1,030,758.73
			55,608.11
			1,178,142.50
			1,822,467.92
			96,873.10
			45,496.51
146,952.32	54,673.57		201,625.89
1,025.67	267,931.42		336,068.66
		40,000.00	40,000.00
		29,330.17	29,330.17
<u>253,987.33</u>	<u>603,754.56</u>	<u>1,096,438.82</u>	<u>19,002,652.86</u>
<u>(101,297.16)</u>	<u>467,554.79</u>	<u>46,477.18</u>	<u>741,641.60</u>
			291,898.86
			7,691.45
		(291,898.86)	(291,898.86)
		(291,898.86)	7,691.45
(101,297.16)	467,554.79	(245,421.68)	749,333.05
288,266.11	748,658.37	486,494.70	2,884,668.29
<u>\$ 186,968.95</u>	<u>\$ 1,216,213.16</u>	<u>\$ 241,073.02</u>	<u>\$ 3,634,001.34</u>

**DIXIE 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** \$ 749,333.05

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. The following details the amount of depreciation expense in excess of capital outlays in the current period:

Capital Outlay - Facilities Acquisition and Construction - Capitalized	\$ 201,625.89	
Capital Outlay - Other Capital Outlay - Capitalized	336,068.66	
Depreciation Expense	<u>(1,461,809.06)</u>	(924,114.51)

Donated capital assets increase net assets in the statement of activities, but do not provide current financial resources and, therefore, are not reported in the governmental funds. 611,100.00

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 40,000.00

In the statement of activities, the cost of the early retirement incentives is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for early retirement incentives. This is the net amount of early retirement incentives earned in excess of the amount paid in the current period. (64,425.56)

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 paid in excess of the amount earned in the current period. 285,965.43

**Change in Net Assets - Governmental Activities** \$ 697,858.41

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

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

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 175,260.00
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ 175,260.00

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

**DIXIE 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 Dixie County School District is considered part of the Florida system of public education. The governing body of the school district is the Dixie 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 Dixie 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 the application of these criteria, the following component unit is included within the District School Board's reporting entity:

Discretely Presented Component Unit. The component unit column in the government-wide financial statements includes the financial data of the Dixie Education Foundation, Inc. (Foundation), which was formed to provide charitable and educational aid to the School Board; to promote education; and to encourage research, learning and dissemination of information. The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered to be a component unit. The Foundation's financial statements are on file in the District's administrative office.

➤ **Basis of Presentation**

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

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.

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

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.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the resources generated by the Legislative appropriations of gross receipts taxes for the District. These funds are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, maintenance, repair, and site improvements.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and

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

available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, early retirement incentives, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The Dixie Education Foundation, Inc., is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **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.

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. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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 last invoice, which approximates 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 purchased during the year, and are adjusted at fiscal year-end to reflect year-end physical inventories.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. 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. Some buildings acquired or constructed prior to 1992 are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$4,506,828.04 of stated building values are based on these estimates.

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

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	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational

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

program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay 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 Dixie County Property Appraiser, and property taxes are collected by the Dixie County Tax Collector.

The School Board adopted the 2008 tax levy on September 9, 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 Dixie County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

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

## **2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

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

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

**3. INVESTMENTS**

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

The District reports investments totaling \$15,856.44 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

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

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 382,249.40	\$	\$	\$ 382,249.40
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,113,503.64	683,882.97		3,797,386.61
Buildings and Fixed Equipment	34,554,218.11	132,410.32		34,686,628.43
Furniture, Fixtures, and Equipment	4,327,895.89	93,341.28	184,546.55	4,236,690.62
Motor Vehicles	2,077,511.45	207,341.50	234,437.00	2,050,415.95
Audio Visual Materials and Computer Software	1,087,662.67	31,818.48		1,119,481.15
<b>Total Capital Assets Being Depreciated</b>	<b>45,160,791.76</b>	<b>1,148,794.55</b>	<b>418,983.55</b>	<b>45,890,602.76</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,774,913.16	202,377.82		1,977,290.98
Buildings and Fixed Equipment	9,455,849.01	670,798.89		10,126,647.90
Furniture, Fixtures, and Equipment	3,569,642.17	220,391.19	184,546.55	3,605,486.81
Motor Vehicles	860,904.33	222,228.07	234,437.00	848,695.40
Audio Visual Materials and Computer Software	698,008.89	146,013.09		844,021.98
<b>Total Accumulated Depreciation</b>	<b>16,359,317.56</b>	<b>1,461,809.06</b>	<b>418,983.55</b>	<b>17,402,143.07</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>28,801,474.20</b>	<b>(313,014.51)</b>		<b>28,488,459.69</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 29,183,723.60</b>	<b>\$ (313,014.51)</b>	<b>\$ 0.00</b>	<b>\$ 28,870,709.09</b>

Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Pupil Transportation Services	\$ 222,228.07
Unallocated	1,239,580.99
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,461,809.06</b>

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

**5. 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 2002A	\$ 310,000	3.875 - 5.000	2022
Series 2005B, Refunding	260,000	5.0	2018
<b>Total Bonds Payable</b>	<b>\$ 570,000</b>		

These 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.

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	\$ 67,388.75	\$ 40,000.00	\$ 27,388.75
2011	65,557.50	40,000.00	25,557.50
2012	68,757.50	45,000.00	23,757.50
2013	71,687.50	50,000.00	21,687.50
2014	69,347.50	50,000.00	19,347.50
2015-2019	307,687.50	250,000.00	57,687.50
2020-2022	104,675.00	95,000.00	9,675.00
<b>Total</b>	<b>\$ 755,101.25</b>	<b>\$ 570,000.00</b>	<b>\$ 185,101.25</b>

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

**6. 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					
Bonds Payable	\$ 610,000.00	\$	\$ 40,000.00	\$ 570,000.00	\$ 40,000.00
Early Retirement Incentive Payable	443,119.22	138,883.40	74,457.84	507,544.78	100,005.28
Compensated Absences Payable	1,808,805.41	653,116.19	939,081.62	1,522,839.98	206,000.00
Total Governmental Activities	<u>\$ 2,861,924.63</u>	<u>\$ 791,999.59</u>	<u>\$ 1,053,539.46</u>	<u>\$ 2,600,384.76</u>	<u>\$ 346,005.28</u>

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

**7. 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	\$ 21,412.13	\$
Special Revenue:		
Other		21,412.13
Total	<u>\$ 21,412.13</u>	<u>\$ 21,412.13</u>

The interfund amounts represent temporary loans to cover negative cash balances in pooled cash accounts.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 291,898.86	\$
Nonmajor Governmental		291,898.86
Total	<u>\$ 291,898.86</u>	<u>\$ 291,898.86</u>

The District transferred nonrestricted moneys previously set aside for capital projects from nonmajor governmental capital project funds back to the General Fund for general operations.

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

**8. 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 fiscal year’s appropriations are likewise encumbered.

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

Because revenues of grants accounted for in the Special Revenue – Other 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 \$55,912.16 at June 30, 2009.

**9. SCHEDULE OF STATE REVENUE SOURCES**

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

Source	Amount
Florida Education Finance Program	\$ 7,726,807.00
Categorical Educational Programs:	
Class Size Reduction	2,053,142.00
Transportation	537,086.00
Instructional Materials	198,915.00
School Recognition	85,928.00
Florida Teachers Lead	30,007.00
Excellent Teaching	15,346.36
Gross Receipts Tax (Public Education Capital Outlay)	149,796.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	83,479.99
Workforce Development Program	68,485.00
Discretionary Lottery Funds	47,972.00
Food Service Supplement	23,460.00
Mobile Home License Tax	4,979.97
Miscellaneous	463,612.36
<b>Total</b>	<b><u>\$ 11,489,016.68</u></b>

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

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

**10. PROPERTY TAXES**

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

	<u>Millages</u>	<u>Taxes Levied</u>
<b>GENERAL FUND</b>		
Nonvoted School Tax:		
Required Local Effort	5.045	\$ 3,202,126
Basic Discretionary Local Effort	0.498	316,087
Supplemental Discretionary Local Effort	0.250	158,678
<b>CAPITAL PROJECTS FUNDS</b>		
Nonvoted Tax:		
Local Capital Improvements	1.750	1,110,747
Total	7.543	\$ 4,787,638

**11. FLORIDA RETIREMENT SYSTEM**

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

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

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

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

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 ten District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$40,098.15.

**FRS Retirement Contribution Rates**

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

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Teachers 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 for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,012,332.76, \$1,019,096.57, and \$950,484.58, 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.

**12. SPECIAL TERMINATION BENEFITS**

The Board voted to offer a one-time early retirement incentive to employees electing to participate by the November 10, 2008, deadline. For employees electing to participate, the District provided six years of

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

retiree health insurance premiums for the period July 1, 2009, through June 30, 2015. The total paid by the District pursuant to this early retirement incentive during the 2008-09 fiscal year was \$5,867.42, and the estimated liability at June 30, 2009, is \$133,043.45.

The Board voted to offer a one-time early retirement incentive in the previous fiscal year to employees electing to participate by the May 20, 2008, deadline. For employees electing to participate, the District provided two options, a \$15,000 bonus or six years of retiree health insurance premiums for the period July 1, 2008, through June 30, 2014. Teachers electing to participate under either option were paid an additional \$10,000 bonus. The total paid by the District pursuant to this early retirement incentive during the 2008-09 fiscal year was \$55,514.82, and the estimated liability at June 30, 2009, is \$274,228.05.

A one-time early retirement incentive adopted in a previous fiscal year which provided retiree health insurance contributions for the life of the retiree continued in the current year with two participants. The total paid by the District during the 2008-2009 fiscal year for this plan was \$13,075.60, and the estimated liability at June 30, 2009, is \$100,273.28.

The early retirement incentive liability is undiscounted and measured using current healthcare cost information.

**13. 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 Dixie County District School Board is a member of the North East Florida Educational 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 Putnam County District School Board serves as fiscal agent for the Consortium.

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

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

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**DIXIE 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	
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 126,000.00	\$ 226,117.21	\$ 273,343.14	\$ 47,225.93
State	11,977,485.08	11,226,971.26	11,233,505.77	6,534.51
Local:				
Property Taxes	3,604,452.00	3,604,452.00	3,505,899.03	(98,552.97)
Miscellaneous	130,000.00	369,562.77	361,536.24	(8,026.53)
<b>Total Revenues</b>	<b>15,837,937.08</b>	<b>15,427,103.24</b>	<b>15,374,284.18</b>	<b>(52,819.06)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	8,500,500.00	8,331,503.54	7,872,263.18	459,240.36
Pupil Personnel Services	656,000.00	602,731.21	601,830.91	900.30
Instructional Media Services	142,500.00	145,877.39	64,421.55	81,455.84
Instruction and Curriculum Development Services	488,000.00	459,885.50	445,048.82	14,836.68
Instructional Staff Training Services	455,500.00	509,706.16	484,845.95	24,860.21
Instruction Related Technology	394,000.00	421,115.29	364,654.58	56,460.71
Board of Education	242,000.00	252,000.00	238,972.07	13,027.93
General Administration	211,725.08	212,063.14	197,386.11	14,677.03
School Administration	1,111,500.00	1,103,103.92	1,062,245.51	40,858.41
Facilities Acquisition and Construction	230,000.00	253,396.51	9,029.00	244,367.51
Fiscal Services	459,000.00	509,091.80	493,234.34	15,857.46
Food Services		4,000.00	3,650.08	349.92
Central Services	45,500.00	60,975.00	55,608.11	5,366.89
Pupil Transportation Services	1,295,000.00	1,170,962.38	1,146,123.67	24,838.71
Operation of Plant	2,180,500.00	2,102,882.72	1,822,467.92	280,414.80
Maintenance of Plant	69,500.00	116,184.95	96,873.10	19,311.85
Administrative Technology Services	53,500.00	104,500.00	45,496.51	59,003.49
Fixed Capital Outlay:				
Other Capital Outlay		41,225.98	41,225.98	
<b>Total Expenditures</b>	<b>16,534,725.08</b>	<b>16,401,205.49</b>	<b>15,045,377.39</b>	<b>1,355,828.10</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(696,788.00)</b>	<b>(974,102.25)</b>	<b>328,906.79</b>	<b>1,303,009.04</b>
<b>Other Financing Sources</b>				
Transfers In	130,000.00	321,898.86	291,898.86	(30,000.00)
Insurance Loss Recoveries		7,691.45	7,691.45	
Transfers Out	(42,000.00)			
<b>Total Other Financing Sources (Uses)</b>	<b>88,000.00</b>	<b>329,590.31</b>	<b>299,590.31</b>	<b>(30,000.00)</b>
<b>Net Change in Fund Balances</b>	<b>(608,788.00)</b>	<b>(644,511.94)</b>	<b>628,497.10</b>	<b>1,273,009.04</b>
Fund Balances, Beginning	1,005,175.33	1,361,249.11	1,361,249.11	
<b>Fund Balances, Ending</b>	<b>\$ 396,387.33</b>	<b>\$ 716,737.17</b>	<b>\$ 1,989,746.21</b>	<b>\$ 1,273,009.04</b>

Original Budget	Special Revenue - Other Fund		Variance with Final Budget - Positive (Negative)
	Final Budget	Actual	
\$ 668,503.10	\$ 2,571,902.01	\$ 2,003,094.76	\$ (568,807.25)
<u>668,503.10</u>	<u>2,571,902.01</u>	<u>2,003,094.76</u>	<u>(568,807.25)</u>
511,724.40	1,821,377.01	1,500,992.76	320,384.25
16,421.08	244,273.61	165,869.64	78,403.97
21,703.00	120,834.02	93,281.35	27,552.67
95,102.82	240,965.24	99,612.07	141,353.17
20,439.57	75,714.31	85,434.52	(9,720.21)
3,112.23	42,852.23	32,018.83	10,833.40
	<u>25,885.59</u>	<u>25,885.59</u>	
<u>668,503.10</u>	<u>2,571,902.01</u>	<u>2,003,094.76</u>	<u>568,807.25</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**DIXIE 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)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 192,167.69
National School Lunch Program	10.555	300	515,950.01
Summer Food Service Program for Children	10.559	323	14,493.41
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	78,235.79
<b>Total United States Department of Agriculture</b>			<b>800,846.90</b>
<b>United States Department of Education:</b>			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	677,490.62
Special Education - Preschool Grants	84.173	267	67,172.60
Marion County District School Board:			
Special Education - Grants to States	84.027	None	129.18
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	689.38
<b>Total Special Education Cluster</b>			<b>745,481.78</b>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 192	23,689.44
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	913,944.22
Career and Technical Education - Basic Grants to States	84.048	151, 161	67,413.41
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	5,134.12
Education Technology State Grants	84.318	121, 122	1,011.89
Rural Education	84.358	110	62,148.24
Improving Teacher Quality State Grants	84.367	224	185,090.22
Lake City Community College:			
Tech-Prep Education	84.243	None	5,910.82
Putnam County District School Board:			
Reading First State Grants	84.357	None	76,525.06
Early Reading First	84.359	None	66,371.99
<b>Total United States Department of Education</b>			<b>2,152,721.19</b>
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	386,185.05
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,339,753.14</b>

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

(2) Noncash Assistance.

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

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of emergency shelter generator and installation costs totaling \$386,185.05.



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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dixie County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the Dixie Education Foundation, Inc., as described in our report on the Dixie County District School Board's financial statements. For the school internal funds, this report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Dixie Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is a material weakness.

### **Compliance and Other Matters**

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

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

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit 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  
February 16, 2010



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

### Compliance

We have audited the Dixie 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 fiscal year ended June 30, 2009.

### Internal Control Over Compliance

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA  
February 16, 2010

**DIXIE 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?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Special Education Cluster (CFDA Nos. 84.027 and 84.173); Improving Teacher Quality (CFDA No. 84.367); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

**FINANCIAL STATEMENT FINDING**

**MATERIAL WEAKNESS**

**Finding No. 1: Financial Reporting**

As similarly noted in our report No. 2009-134, our review of the District’s 2008-09 fiscal year annual financial report, provided for audit, disclosed that procedural improvements should be made for reporting certain account balances, transactions, and related note disclosures on the financial statements, as discussed below:

- Preparation of fund financial statements pursuant to generally accepted accounting principles requires an analysis to determine the major funds that must have separate columnar presentation. Major funds must be separately reported when the fund’s assets and liabilities represent at least 10 percent of the total governmental funds assets and liabilities, respectively. However, District personnel inadvertently did not identify or report assets and liabilities, totaling \$311,743 each, for legislative appropriations of Public Education Capital Outlay moneys. Because of this oversight, the District did not separately report the Capital Projects – Public Education Capital Outlay (PECO) Fund as a major fund, although the assets and liabilities of the PECO Fund comprised approximately 12 and 68 percent of total governmental fund assets and liabilities, respectively. The assets and liabilities totaled \$503,116, and \$316,147, respectively, for the PECO Fund. We extended our audit procedures to determine the adjustments and corrections necessary, and District personnel accepted the recommended changes. Separately reporting major funds allows financial statement users to readily identify the District’s most significant funds and their related balances and transactions, ensures compliance with GAAP, and ensures that all major funds receive the appropriate level of audit attention.
- The District is required, effective for the 2008-09 fiscal year, to implement Governmental Accounting Standards Board Statement No. 45 (Statement), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits (OPEB) provided by the District. This Statement requires the District to report a liability for its coverage of retired employees who continue to receive health benefits offered by the District, and note disclosures to describe the OPEB plan, funding status and progress, and actuarial methods and assumptions. The Statement further requires that the District obtain an actuarial valuation of its OPEB plan at least biennially since, at June 30, 2009, its plan had 257 plan members, exceeding the minimum 100-member plan requirement for the actuarial study. Certain Actuarial Standards of Practice (ASOPs) must guide preparation of the actuarial study, according to the Statement. For example, Section 3.1.5 of the *Introduction to the Actuarial Standards of Practice, October 2008*, provides, in part, that actuarial standards should be used by actuaries who have the necessary education and experience to understand and apply them, and other individuals should consider obtaining the advice of a qualified actuary before making use of or otherwise relying upon the ASOPs.

However, contrary to these requirements, District personnel did not obtain an actuarial valuation and elected not to report a liability or the related note disclosures given the insignificance of the amount involved based on comparisons with other districts. In addition, District staff indicated that they elected to forego the services of a certified actuary and performed their own valuation as a cost savings measure due to budgetary concerns resulting from the recent economic downturn. While the amounts were not quantitatively significant, due to the cumulative nature of this expense and related liability, there is an increased need for the District to obtain an actuarially-prepared study as OPEB amounts rise in future years.

**Recommendation:** To facilitate necessary financial reporting, the District should enhance procedures to ensure that account balances, transactions, and related note disclosures are properly reported on the financial statements.

**ADDITIONAL MATTERS**

**Finding No. 2: Contractual Services**

We reviewed District records supporting 25 expenditures, totaling approximately \$418,000, to determine whether the District properly designed controls over the expenditure process and whether the controls were operating effectively. Our review disclosed that the District contracted with various therapists to obtain occupational therapy, speech therapy, and psychological services at negotiated hourly rates; however, District procedures for monitoring payments for these services needed improvement, as discussed below:

- Payments totaling \$43,022 and \$41,360 were made for occupational therapy services and for psychological services, respectively, based on invoices noting days and total number of hours worked. However, District records did not evidence that District personnel maintained and approved sign-in, sign-out time records of these services to ensure the services were provided as established in the contract.
- Payments totaling \$129,912 were made for speech therapy services based on invoices noting days and total number of hours worked, and the vendor provided sign-in, sign-out time records for the services; however, in most instances, supporting time records submitted with invoices did not contain evidence that District personnel reviewed and approved these time records. For example, on one invoice presented for payment totaling \$66,983, we noted that the therapists had prepared lists showing dates and time spent performing services, and the lists provided places for District personnel to evidence review and approval by initialing the lists; however, District personnel did not initial the lists for payments totaling \$62,167.

When District personnel do not properly monitor payments to ensure services are received before payments are made, the risk increases that payments may be made for services not performed in accordance with District intentions.

**Recommendation:** The District should strengthen monitoring controls over contractual services to ensure that it properly receives the services before it pays for them.

**Finding No. 3: 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’s (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 7,343 contact hours to FDOE. Our test of 732 enrollment hours reported to FDOE for ten students enrolled in adult general education classes disclosed that the contact hours for these ten students were inadvertently overreported by a total of 547 hours. District personnel indicated that the reason for these reporting discrepancies was the use of the end-of-class date rather than the actual withdrawal date as

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

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

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**Finding No. 4: Information Technology – Policies and Procedures**

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

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

- Monitoring end-user workstation administrative rights.
- Monitoring and reviewing logs of system events.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management’s expectations.

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

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**Finding No. 5: Information Technology – User Authentication**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-134.

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**MANAGEMENT'S RESPONSE**

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Management's response is included as Exhibit A.

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

*DIXIE 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
2009-134		No prior Federal audit findings.		

EXHIBIT A  
MANAGEMENT'S RESPONSE

**DIXIE DISTRICT SCHOOLS**  
16077 NE 19 Highway  
Cross City, Florida 32628-0890  
Phone (352) 498-6131  
FAX (352) 498-1308  
Mark A. Rains, Superintendent

*Our schools will provide a quality learning environment by providing opportunities through educational planning and community partnerships that ensures student success.*

**Chairman of Board**  
Timothy Alexander  
**Vice Chairman of Board**  
Dwayne Rollison



**Board Members**  
David Keen  
Glenn Osteen  
Cheryl Pridgeon

February 16, 2010

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

Dear Mr. Martin,

Pursuant to Section 11.45(4)(d), Florida Statutes, we are required to submit to you a written statement of explanation concerning all of the findings, including our actual and proposed corrective actions. Below is our response to the preliminary and tentative audit findings and recommendations in your audit for fiscal year ended June 30, 2009.

**Finding 1: Financial Reporting.** To facilitate financial reporting, we will review and enhance district procedures to ensure that account balances, transactions, and note disclosures are properly reported on the financial statements. We have contacted a qualified actuary to determine our OPEB requirements. The contact for this is Mrs. Tonya Howell, Director of Finance and Business Services.

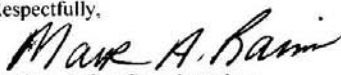
**Finding 2: Contractual Services.** We have revised and strengthened our procedures and monitoring controls over contractual services to ensure that documentation is kept to support that services were properly received prior to payment. All invoices are now supported with actual date, time, student names, and reviewed by district staff before payment. The contact for this is Mrs. Tonya Howell, Director of Finance and Business Services.

**Finding 3: Adult General Education Courses.** We will enhance controls over the reporting of instructional contract hours for adult general education courses to the Florida Department of Education to ensure that the actual withdrawal date is used as the last date of attendance instead of the end of class date. The contact for this is Mr. Garry Durham, Director of Curriculum and Career/Technical.

**Finding 4: Information Technology – Policies and Procedures.** We will establish written policies and procedures to document management's expectations for the performance of IT functions including monitoring end-user workstation administrative rights and monitoring / reviewing logs of systems events. The contact for this is Mr. Kenneth Baumer, Assistant Superintendent.

**Finding 5: Information Technology – User Authentication.** We will improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources. The contact for this is Mr. Kenneth Baumer, Assistant Superintendent.

Respectfully,

  
Mark A. Rains, Superintendent  
Dixie District Schools

*An affirmative/equal opportunity employer*