

**DIXIE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2010



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
David Keen	1
Timothy W. Alexander, Chair	2
Dwayne Rollison	3
Cheryl C. Pridgeon	4
Glenn Osteen, Vice Chair	5

Mark A. Rains, Superintendent

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

The audit team leader was Nicole Lee, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	36
Schedule of Funding Progress – Other Postemployment Benefits Plan	38
Notes to Required Supplementary Information	39
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	40
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>	41
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	42
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	45
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	51
EXHIBIT A MANAGEMENT'S RESPONSE	52

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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.

SIGNIFICANT DEFICIENCY

Finding No. 1: District procedures could be enhanced to ensure that account balances and transactions are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: The District funded projects with expenditures totaling \$239,712 from its capital outlay millage levy proceeds that were not specified in its advertised notice of tax levy, contrary to Section 200.065(10), Florida Statutes.

Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 4: Procedural enhancements needed to be made to ensure supervisory approval of employee work time and leave taken.

Finding No. 5: The audit of the Dixie Education Foundation, Inc., a direct-support organization of the District, was not performed in accordance with *Government Auditing Standards*, contrary to Rules of the Auditor General.

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

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; and State Fiscal Stabilization Fund Cluster 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:

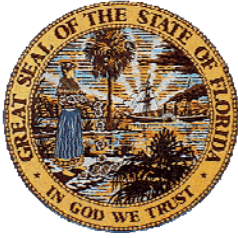
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2010-111.

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, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District 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 23 percent of the assets and 85 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Dixie Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon 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, 2010, and the respective changes in financial position thereof for the fiscal 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 36 through 39) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 1, 2011

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, 2010. 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 34.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- In total, net assets increased \$1,386,541.35, which represents a 5 percent increase from the 2008-09 fiscal year.
- General revenues total \$18,169,799.13, or 89 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,155,012.30, or 11 percent of all revenues.
- Expenses total \$18,938,270.08. Only \$2,155,012.30 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$1,386,541.35.
- The unreserved, undesignated fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$1,437,274.14 at June 30, 2010, or 11 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

The government-wide statements present the District's activities in the following 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 the broad categories discussed below.

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

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

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

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

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, 2010, compared to net assets as of June 30, 2009:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-10	6-30-09
Current and Other Assets	\$ 5,142,664.70	\$ 4,076,467.01
Capital Assets	28,357,148.32	28,870,709.09
Total Assets	33,499,813.02	32,947,176.10
Long-Term Liabilities	2,050,536.83	2,600,384.76
Other Liabilities	158,409.17	442,465.67
Total Liabilities	2,208,946.00	3,042,850.43
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	27,827,148.32	28,300,709.09
Restricted	2,412,799.02	1,788,026.49
Unrestricted (Deficit)	1,050,919.68	(184,409.91)
Total Net Assets	\$ 31,290,867.02	\$ 29,904,325.67

The largest portion of the District’s net assets (89 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	\$ 258,628.22	\$ 290,615.49
Operating Grants and Contributions	1,445,187.54	1,361,392.90
Capital Grants and Contributions	451,196.54	844,375.99
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,553,308.90	3,505,899.03
Property Taxes, Levied for Capital Projects	831,507.54	1,059,560.39
Grants and Contributions Not Restricted to Specific Programs	13,451,892.15	12,971,632.59
Unrestricted Investment Earnings	16,337.60	61,426.36
Miscellaneous	316,752.94	268,183.16
Total Revenues	20,324,811.43	20,363,085.91
Functions/Program Expenses:		
Instruction	8,999,338.75	9,295,632.64
Pupil Personnel Services	779,528.54	743,688.09
Instructional Media Services	73,161.94	63,706.64
Instruction and Curriculum Development Services	240,061.33	501,211.85
Instructional Staff Training Services	575,407.03	575,953.51
Instruction Related Technology	400,405.86	358,878.08
School Board	250,266.27	238,972.07
General Administration	342,766.80	278,187.99
School Administration	775,869.76	1,022,224.11
Facilities Acquisition and Construction	622,019.80	396,187.91
Fiscal Services	386,774.47	529,000.10
Food Services	952,962.54	1,023,323.63
Central Services	84,153.26	55,179.16
Pupil Transportation Services	1,390,025.43	1,385,509.00
Operation of Plant	1,646,814.52	1,786,749.49
Maintenance of Plant	78,174.98	96,844.50
Administrative Technology Services	45,166.17	45,067.57
Unallocated Interest on Long-Term Debt	27,435.76	29,330.17
Unallocated Depreciation Expense	1,267,936.87	1,239,580.99
Total Functions/Program Expenses	18,938,270.08	19,665,227.50
Increase in Net Assets	\$ 1,386,541.35	\$ 697,858.41

The largest revenue source is the State of Florida (54 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Overall, revenues decreased by an insignificant amount. Grants and contributions not restricted to specific programs revenues increased by \$480,259.56, or 4 percent, due primarily to new American Recovery and Reinvestment Act (ARRA) Stabilization revenue offset by a reduction in State funding. Capital grants and contributions decreased by 47 percent due to decreases in Public Education Capital Outlay appropriations. Property taxes levied for capital projects decreased due to a reduction in capital outlay millage levied. Expenses decreased by \$726,957.42 due to cost saving measures implemented by the District, such as staff reductions, reducing supplies, and limiting travel.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Major Governmental Funds

As of the end of the fiscal year, the District’s governmental funds reported combined ending fund balances of \$4,984,255.53, an increase of \$1,350,254.19.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance is \$1,437,274.14, while the total fund balance is \$3,146,242.68. The unreserved, undesignated fund balance increased by \$917,517.26, while the total fund balance increased by \$1,156,496.47 during the fiscal year. The increase can be attributed to the cost saving measures implemented by the District during this fiscal year, which were partially offset by decreases in State and local funding. General fund expenditures decreased from \$15,045,377.39 in the 2008-09 fiscal year to \$13,444,911.78 in the 2009-10 fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of \$1,993,072.36 each, and allowed expenditures are specified by grant agreements. In addition, the Special Revenue – ARRA Economic Stimulus Fund has total revenues and expenditures of \$1,334,021.23 each, and the funding was mainly used for salaries. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in the special revenue funds generally do not accumulate fund balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$1,399,759.36, which is restricted for the acquisition, construction, and maintenance of capital assets. Since the District did not have any major construction projects in progress, the revenue generated was not expended, resulting in an increase of \$183,546.20 in the fund balance. The District plans to use these funds for future capital projects. It should be noted that \$132,601.71 has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$537,546.05. At the same time, final appropriations are less than the original budgeted amounts by \$507,496.69. Budget revisions were due primarily to changes in estimated State funding levels and adjustments to planned expenditures for changes in programmatic and operational needs.

Actual revenues are \$761,136.26 more than the final budgeted amounts while actual expenditures are \$1,617,253.62, or 11 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2,389,725.92.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$28,357,148.32 (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.

	Capital Assets, Net	
	Governmental Activities	
	6-30-10	6-30-09
Land	\$ 382,249.40	\$ 382,249.40
Improvements Other than Buildings	1,808,921.67	1,820,095.63
Buildings and Fixed Equipment	24,244,690.95	24,559,980.53
Furniture, Fixtures, and Equipment	573,633.37	631,203.81
Motor Vehicles	1,115,560.64	1,201,720.55
Audio Visual Materials and Computer Software	232,092.29	275,459.17
Total Capital Assets, Net	\$ 28,357,148.32	\$ 28,870,709.09

Major capital asset events during the current fiscal year included the reroofing of Anderson Elementary School, construction of a new transportation fueling facility, and the purchase of two buses, new equipment, and software.

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

Long-Term Debt

At June 30, 2010, the District had total long-term bonded debt outstanding of \$530,000. 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 or other required supplementary information, and 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, 2010**

	Primary Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 3,089,573.39	\$ 129,387.00
Investments	722,964.67	
Accounts Receivable	6,739.82	3,500.00
Due from Other Agencies	1,186,791.74	
Inventories	136,595.08	
Land Held for Resale		65,461.00
Capital Assets:		
Nondepreciable Capital Assets	382,249.40	
Depreciable Capital Assets, Net	27,974,898.92	
TOTAL ASSETS	\$ 33,499,813.02	\$ 198,348.00
LIABILITIES		
Accounts Payable	\$ 102,534.17	\$
Construction Contracts Payable - Retainage	24,952.65	
Deposits Payable	30,922.35	
Long-Term Liabilities:		
Portion Due Within One Year	285,628.12	
Portion Due After One Year	1,764,908.71	
Total Liabilities	2,208,946.00	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	27,827,148.32	
Restricted for:		
State Required Carryover Programs	574,786.17	
Debt Service	14,964.67	
Capital Projects	1,530,743.14	
Food Service	292,305.04	
Unrestricted	1,050,919.68	198,348.00
Total Net Assets	31,290,867.02	198,348.00
TOTAL LIABILITIES AND NET ASSETS	\$ 33,499,813.02	\$ 198,348.00

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, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 8,999,338.75	\$ 38,891.20	\$	\$
Pupil Personnel Services	779,528.54			
Instructional Media Services	73,161.94			
Instruction and Curriculum Development Services	240,061.33			
Instructional Staff Training Services	575,407.03			
Instruction Related Technology	400,405.86			
School Board	250,266.27			
General Administration	342,766.80			
School Administration	775,869.76			
Facilities Acquisition and Construction	622,019.80			327,774.55
Fiscal Services	386,774.47			
Food Services	952,962.54	219,737.02	878,301.54	
Central Services	84,153.26			
Pupil Transportation Services	1,390,025.43		566,886.00	
Operation of Plant	1,646,814.52			
Maintenance of Plant	78,174.98			56,878.00
Administrative Technology Services	45,166.17			
Unallocated Interest on Long-Term Debt	27,435.76			66,543.99
Unallocated Depreciation Expense*	1,267,936.87			
Total Primary Government	\$ 18,938,270.08	\$ 258,628.22	\$ 1,445,187.54	\$ 451,196.54
Component Unit				
Dixie Education Foundation, Inc.	\$ 68,963.00	\$ 0.00	\$ 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

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

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental Activities	Unit
\$ (8,960,447.55)	\$
(779,528.54)	
(73,161.94)	
(240,061.33)	
(575,407.03)	
(400,405.86)	
(250,266.27)	
(342,766.80)	
(775,869.76)	
(294,245.25)	
(386,774.47)	
145,076.02	
(84,153.26)	
(823,139.43)	
(1,646,814.52)	
(21,296.98)	
(45,166.17)	
39,108.23	
(1,267,936.87)	
(16,783,257.78)	
	(68,963.00)
3,553,308.90	
831,507.54	
13,451,892.15	90,436.00
16,337.60	1,230.00
316,752.94	385.00
18,169,799.13	92,051.00
1,386,541.35	23,088.00
29,904,325.67	175,260.00
\$ 31,290,867.02	\$ 198,348.00

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,187,242.47	\$ 9,133.46	\$
Investments	708,000.00		
Accounts Receivable	4,007.50		
Due from Other Funds	1,169,796.30		
Due from Other Agencies	120,443.23	578,630.82	443,570.27
Inventories	86,359.70		
TOTAL ASSETS	\$ 3,275,849.20	\$ 587,764.28	\$ 443,570.27
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 98,684.17	\$	\$
Construction Contracts Payable - Retainage			
Due to Other Funds		587,764.28	443,570.27
Deposits Payable	30,922.35		
Total Liabilities	129,606.52	587,764.28	443,570.27
Fund Balances:			
Reserved for State Required Carryover Programs	574,786.17		
Reserved for Encumbrances	339,822.67		
Reserved for Inventories	86,359.70		
Reserved for Debt Service			
Unreserved:			
Designated, Reported in General Fund:			
Designated for Employees' Terminal Pay	708,000.00		
Undesignated, Reported in:			
General Fund	1,437,274.14		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	3,146,242.68		
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,275,849.20	\$ 587,764.28	\$ 443,570.27

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,542,071.11	\$ 351,126.35	\$ 3,089,573.39
	14,964.67	722,964.67
	2,732.32	6,739.82
		1,169,796.30
	44,147.42	1,186,791.74
	50,235.38	136,595.08
<u>\$ 1,542,071.11</u>	<u>\$ 463,206.14</u>	<u>\$ 6,312,461.00</u>
\$ 3,850.00	\$ 24,952.65	\$ 102,534.17
138,461.75		24,952.65
		1,169,796.30
		30,922.35
<u>142,311.75</u>	<u>24,952.65</u>	<u>1,328,205.47</u>
132,601.71	2,625.00	574,786.17
	50,235.38	475,049.38
	14,964.67	136,595.08
		14,964.67
		708,000.00
		1,437,274.14
	242,069.66	242,069.66
1,267,157.65	128,358.78	1,395,516.43
<u>1,399,759.36</u>	<u>438,253.49</u>	<u>4,984,255.53</u>
<u>\$ 1,542,071.11</u>	<u>\$ 463,206.14</u>	<u>\$ 6,312,461.00</u>

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010**

Total Fund Balances - Governmental Funds	\$	4,984,255.53
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.		28,357,148.32
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	\$	530,000.00
Other Postemployment Benefits Payable		110,500.00
Compensated Absences Payable		1,410,036.83
		<u>(2,050,536.83)</u>
Total Net Assets - Governmental Activities	\$	<u>31,290,867.02</u>

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, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Through State and Local State	\$ 215,939.48 10,465,949.16	\$ 1,993,072.36	\$ 1,334,021.23
Local:			
Property Taxes	3,553,308.90		
Charges for Services	38,891.20		
Miscellaneous	315,983.47		
Total Revenues	<u>14,590,072.21</u>	<u>1,993,072.36</u>	<u>1,334,021.23</u>
Expenditures			
Current - Education:			
Instruction	6,445,047.13	1,394,444.06	1,085,372.81
Pupil Personnel Services	636,378.26	188,378.00	14,135.27
Instructional Media Services	72,337.87		
Instruction and Curriculum Development Services	311,812.58	96,642.52	2,556.58
Instructional Staff Training Services	314,293.57	187,027.41	60,708.85
Instruction Related Technology	353,501.65		48,293.49
School Board	232,918.70		
General Administration	199,542.94	89,927.94	59,160.30
School Administration	968,298.85		
Facilities Acquisition and Construction	113,126.42		
Fiscal Services	418,827.17		
Food Services	13,441.58		434.26
Central Services	83,916.72		
Pupil Transportation Services	1,113,340.39	31,572.43	6,221.97
Operation of Plant	1,768,500.58		
Maintenance of Plant	74,118.65		
Administrative Technology Services	43,337.79		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	282,170.93	5,080.00	57,137.70
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>13,444,911.78</u>	<u>1,993,072.36</u>	<u>1,334,021.23</u>
Excess of Revenues Over Expenditures	<u>1,145,160.43</u>		
Other Financing Sources			
Insurance Loss Recoveries	11,336.04		
Net Change in Fund Balances	1,156,496.47		
Fund Balances, Beginning	1,989,746.21		
Fund Balances, Ending	<u>\$ 3,146,242.68</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	866,882.54	4,409,915.61
	472,411.46	10,938,360.62
831,507.54		4,384,816.44
	219,737.02	258,628.22
4,447.60	1,323.43	321,754.50
<u>835,955.14</u>	<u>1,560,354.45</u>	<u>20,313,475.39</u>
		8,924,864.00
		838,891.53
		72,337.87
		411,011.68
		562,029.83
		401,795.14
		232,918.70
		348,631.18
		968,298.85
389,287.87	119,605.51	622,019.80
		418,827.17
	976,935.35	990,811.19
		83,916.72
		1,151,134.79
		1,768,500.58
		74,118.65
		43,337.79
242,111.73	386,166.31	628,278.04
21,009.34		365,397.97
	40,000.00	40,000.00
	27,435.76	27,435.76
<u>652,408.94</u>	<u>1,550,142.93</u>	<u>18,974,557.24</u>
<u>183,546.20</u>	<u>10,211.52</u>	<u>1,338,918.15</u>
		11,336.04
183,546.20	10,211.52	1,350,254.19
1,216,213.16	428,041.97	3,634,001.34
<u>\$ 1,399,759.36</u>	<u>\$ 438,253.49</u>	<u>\$ 4,984,255.53</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, 2010**

Net Change in Fund Balances - Governmental Funds \$ 1,350,254.19

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (513,560.77)

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 compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period. 112,803.15

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 paid in excess of the amount earned in the current period. 507,544.78

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current year. This includes the early retirement incentive payable balance. (110,500.00)

Change in Net Assets - Governmental Activities \$ 1,386,541.35

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, 2010**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 138,485.00
Inventory	3,068.00
Total Assets	\$ 141,553.00
LIABILITIES	
Accounts Payable	\$ 1,373.00
Internal Accounts Payable	140,180.00
Total Liabilities	\$ 141,553.00

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

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 (District) is considered part of the Florida system of public education. The governing body of the District is the Dixie County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on these criteria, the following component unit is included within the District's reporting entity:

- Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Dixie Education Foundation, Inc. (Foundation), which was formed to provide charitable and educational aid to the 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 a component unit.

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010. The audit report is filed in the District's administrative offices.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the 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, 2010**

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.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including 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.

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The 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. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost. Investments made locally consist of certificates of deposit, which are reported at cost.

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 donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at fiscal year-end to reflect year-end physical 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

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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.

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**

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

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

The State provides financial assistance to administer certain educational programs. 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 educational programs. The Department generally requires these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical and earmarked educational program resources.

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

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 15, 2009. 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.

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 995.65
Debt Service Accounts	6 Months	14,964.67
Certificates of Deposit	September 10, 2010	708,000.00
Total Investments, Primary Government		<u>\$ 723,960.32</u>

Note (1): Investment reported as a cash equivalent for financial statement reporting purposes.

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

- The District’s investments in certificates of deposit are in qualified public depositories.
- As of June 30, 2010, the District’s investment in Florida PRIME is rated AAAM by Standard and Poor’s.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance	Additions	Deletions	Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 382,249.40	\$	\$	\$ 382,249.40
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,797,386.61	242,111.73		4,039,498.34
Buildings and Fixed Equipment	34,686,628.43	386,166.31		35,072,794.74
Furniture, Fixtures, and Equipment	4,236,690.62	126,252.97	1,526,533.29	2,836,410.30
Motor Vehicles	2,050,415.95	153,140.00	40,000.00	2,163,555.95
Audio Visual Materials and Computer Software	1,119,481.15	86,005.00		1,205,486.15
Total Capital Assets Being Depreciated	45,890,602.76	993,676.01	1,566,533.29	45,317,745.48
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,977,290.98	253,285.69		2,230,576.67
Buildings and Fixed Equipment	10,126,647.90	701,455.89		10,828,103.79
Furniture, Fixtures, and Equipment	3,605,486.81	183,823.41	1,526,533.29	2,262,776.93
Motor Vehicles	848,695.40	239,299.91	40,000.00	1,047,995.31
Audio Visual Materials and Computer Software	844,021.98	129,371.88		973,393.86
Total Accumulated Depreciation	17,402,143.07	1,507,236.78	1,566,533.29	17,342,846.56
Total Capital Assets Being Depreciated, Net	28,488,459.69	(513,560.77)		27,974,898.92
Governmental Activities Capital Assets, Net	\$ 28,870,709.09	\$ (513,560.77)	\$ 0.00	\$ 28,357,148.32

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 239,299.91
Unallocated	1,267,936.87
Total Depreciation Expense - Governmental Activities	\$ 1,507,236.78

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

5. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2002A	\$ 295,000	4.0 - 5.0	2022
Series 2005B, Refunding	235,000	5.0	2018
Total Bonds Payable	<u>\$ 530,000</u>		

The various bonds were issued by the State Board of Education to finance capital outlay projects of the District. These bonds are issued 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, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	71,987.50	55,000.00	16,987.50
2016-2020	270,375.00	225,000.00	45,375.00
2021-2022	70,000.00	65,000.00	5,000.00
Total	<u>\$ 687,712.50</u>	<u>\$ 530,000.00</u>	<u>\$ 157,712.50</u>

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 570,000.00	\$	\$ 40,000.00	\$ 530,000.00	\$ 40,000.00
Early Retirement Incentive Payable	507,544.78		507,544.78		
Compensated Absences Payable	1,522,839.98	423,159.77	535,962.92	1,410,036.83	245,628.12
Other Postemployment Benefits Payable		278,000.00	167,500.00	110,500.00	
Total Governmental Activities	\$ 2,600,384.76	\$ 701,159.77	\$ 1,251,007.70	\$ 2,050,536.83	\$ 285,628.12

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. Effective July 1, 2009, the Early Retirement Incentive Payable is included in the Other Postemployment Benefits Payable.

7. INTERFUND RECEIVABLES AND PAYABLES

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 1,169,796.30	\$
Special Revenue:		
Other		587,764.28
ARRA		443,570.27
Capital Projects:		
Local Capital Improvement		138,461.75
Total	\$ 1,169,796.30	\$ 1,169,796.30

The interfund amounts due from the special revenue funds represent temporary loans to cover project expenditures prior to reimbursement from grantor agencies.

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 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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

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

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$39,649.86 at June 30, 2010.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 7,681,287.00
Categorical Educational Program - Class Size Reduction	2,204,037.00
Gross Receipts Tax (Public Education Capital Outlay)	368,621.00
School Recognition	112,213.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	82,575.54
Workforce Development Program	66,664.00
Food Service Supplement	22,440.00
Discretionary Lottery Funds	5,461.00
Mobile Home License Tax	5,400.66
Miscellaneous	389,661.42
	<hr/>
Total	<u><u>\$ 10,938,360.62</u></u>

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

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.412	\$ 3,081,248.75
Basic Discretionary Local Effort	0.748	425,664.80
Critical Operating Needs	0.250	143,215.65
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	853,320.68
Total	<u><u>7.910</u></u>	<u><u>\$ 4,503,449.88</u></u>

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.

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

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

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

Class	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
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	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 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 to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$1,019,096.57, \$950,484.58, and \$914,553.64, respectively, which were equal to the required contributions for each fiscal year. There were eight PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$20,963.58.

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. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Effective for the 2009-10 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$3,543,000 at the July 1, 2009, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits liability at the date of transition.

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

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, the District pays the cost of healthcare benefits for certain retired former employees (explicit subsidy). In previous fiscal years, the Board offered various one-time early retirement incentives consisting of payment of healthcare premiums for stated durations to employees electing to participate within the designated timelines. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 81 retirees received other postemployment benefits. The District provided required contributions of \$167,500 toward the annual OPEB cost, net of retiree contributions totaling \$223,000, which represents 2 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 128,000
Amortization of Unfunded Actuarial Accrued Liability	144,600
Interest on Normal Cost and Amortization	<u>5,400</u>
Annual OPEB Cost (Expense)	278,000
Contribution Toward the OPEB Cost	<u>(167,500)</u>
Increase in Net OPEB Obligation	110,500
Net OPEB Obligation, Beginning of Year	<u> </u>
Net OPEB Obligation, End of Year	<u><u>\$ 110,500</u></u>

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010 (year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2009	\$ 0	0.0%	\$ 0
2009-10	278,000	60.3%	110,500

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$3,543,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,543,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$10,960,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.3 percent.

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

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

The District’s initial OPEB actuarial valuation as of July 1, 2009, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2010, and to estimate the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 2.5 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2009-10 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 2010**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 145,350.00	\$ 156,786.90	\$ 215,939.48	\$ 59,152.58
State	10,580,866.00	9,914,980.69	10,465,949.16	550,968.47
Local:				
Property Taxes	3,640,266.00	3,512,796.00	3,553,308.90	40,512.90
Charges for Services			38,891.20	38,891.20
Miscellaneous		244,372.36	315,983.47	71,611.11
Total Revenues	14,366,482.00	13,828,935.95	14,590,072.21	761,136.26
Expenditures				
Current - Education:				
Instruction	8,437,430.65	6,773,358.03	6,445,047.13	328,310.90
Pupil Personnel Services	570,450.26	649,167.22	636,378.26	12,788.96
Instructional Media Services	71,042.24	90,012.02	72,337.87	17,674.15
Instruction and Curriculum Development Services	429,713.28	430,291.96	311,812.58	118,479.38
Instructional Staff Training Services	547,000.00	547,844.85	314,293.57	233,551.28
Instruction Related Technology	577,665.77	496,889.11	353,501.65	143,387.46
School Board	245,000.00	245,000.00	232,918.70	12,081.30
General Administration	206,000.00	207,966.04	199,542.94	8,423.10
School Administration	1,010,442.25	1,005,778.50	968,298.85	37,479.65
Facilities Acquisition and Construction	38,500.00	113,126.42	113,126.42	
Fiscal Services	309,000.00	435,028.00	418,827.17	16,200.83
Food Services	5,000.00	16,683.50	13,441.58	3,241.92
Central Services	57,000.00	102,015.00	83,916.72	18,098.28
Pupil Transportation Services	1,147,739.89	1,214,315.16	1,113,340.39	100,974.77
Operation of Plant	1,790,000.00	2,307,803.65	1,768,500.58	539,303.07
Maintenance of Plant	71,677.75	74,715.01	74,118.65	596.36
Administrative Technology Services	56,000.00	70,000.00	43,337.79	26,662.21
Fixed Capital Outlay:				
Other Capital Outlay		282,170.93	282,170.93	
Total Expenditures	15,569,662.09	15,062,165.40	13,444,911.78	1,617,253.62
Excess (Deficiency) of Revenues Over Expenditures	(1,203,180.09)	(1,233,229.45)	1,145,160.43	2,378,389.88
Other Financing Sources				
Insurance Loss Recoveries			11,336.04	11,336.04
Net Change in Fund Balances	(1,203,180.09)	(1,233,229.45)	1,156,496.47	2,389,725.92
Fund Balances, Beginning	1,989,746.21	1,989,746.21	1,989,746.21	
Fund Balances, Ending	\$ 786,566.12	\$ 756,516.76	\$ 3,146,242.68	\$ 2,389,725.92

Original Budget	Special Revenue - Other Fund			Variance with Final Budget - Positive (Negative)	Special Revenue - ARRA Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Final Budget	Actual			Original Budget	Final Budget	Actual	
\$ 1,965,833.20	\$ 2,508,820.10	\$ 1,993,072.36		\$ (515,747.74)	\$ 1,689,522.96	\$ 1,877,362.24	\$ 1,334,021.23	\$ (543,341.01)
<u>1,965,833.20</u>	<u>2,508,820.10</u>	<u>1,993,072.36</u>		<u>(515,747.74)</u>	<u>1,689,522.96</u>	<u>1,877,362.24</u>	<u>1,334,021.23</u>	<u>(543,341.01)</u>
1,339,202.38	1,744,128.01	1,394,444.06		349,683.95	1,331,265.00	1,484,119.85	1,085,372.81	398,747.04
196,511.00	236,511.00	188,378.00		48,133.00	7,676.00	22,435.00	14,135.27	8,299.73
100,783.24	113,623.24	96,642.52		16,980.72		3,100.00	2,556.58	543.42
192,056.83	242,479.10	187,027.41		55,451.69	163,304.00	176,880.00	60,708.85	116,171.15
					48,087.00	48,293.49	48,293.49	
93,242.75	114,961.75	89,927.94		25,033.81	89,740.00	77,661.94	59,160.30	18,501.64
					49,450.96	434.26	434.26	
39,599.00	47,599.00	31,572.43		16,026.57		7,300.00	6,221.97	1,078.03
4,438.00	4,438.00			4,438.00				
	5,080.00	5,080.00				57,137.70	57,137.70	
<u>1,965,833.20</u>	<u>2,508,820.10</u>	<u>1,993,072.36</u>		<u>515,747.74</u>	<u>1,689,522.96</u>	<u>1,877,362.24</u>	<u>1,334,021.23</u>	<u>543,341.01</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2009	\$ 0	\$ 3,543,000	\$ 3,543,000	0.0%	\$ 10,960,000	32.3%

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

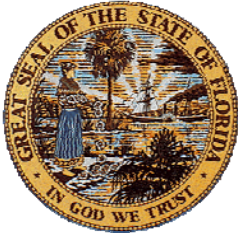
Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 218,867.54
National School Lunch Program	10.555	300, 350	556,728.08
Summer Food Service Program for Children	10.559	323	16,496.86
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	74,790.06
Total Child Nutrition Cluster			866,882.54
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	None	49,450.96
Total United States Department of Agriculture			916,333.50
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	592,624.04
Special Education - Preschool Grants	84.173	267	66,228.95
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	257,915.88
ARRA - Special Education Preschool Grants, Recovery Act	84.392	267	7,831.00
Total Special Education Cluster			924,599.87
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,032,769.42
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	316,309.07
Total Title I, Part A Cluster			1,349,078.49
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	643,312.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	49,002.92
Total State Stabilization Fund Cluster			692,314.92
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	38,016.18
Career and Technical Education - Basic Grants to States	84.048	161	60,986.02
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	8,240.12
Rural Education	84.358	110	55,701.00
Improving Teacher Quality State Grants	84.367	224	138,506.63
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	10,199.40
Washington County District School Board:			
Reading First State Grants	84.357	None	5,700.00
Putnam County District School Board:			
Early Reading First	84.359	None	80,010.88
Total United States Department of Education			3,363,353.51
United States Department of Homeland Security:			
Indirect:			
Florida Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	1,595.21
Hazard Mitigation Grant	97.039 (2)(B)	None	239,970.87
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	38,283.50
Total United States Department of Homeland Security			279,849.58
Total Expenditures of Federal Awards			\$ 4,559,536.59

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

(2) Noncash Assistance.

(A) National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated foods 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 Federally-paid installation costs totaling \$239,970.87.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of the governmental activities, the 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, 2010, 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 discretely presented component unit, 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 other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, as Financial Statement Finding No. 1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

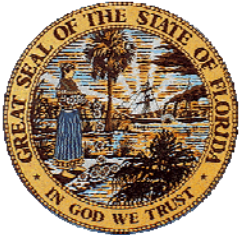
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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
March 1, 2011



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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR 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 (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. 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 its 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 OMB *Circular A-133*. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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
March 1, 2011

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

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 *Circular A-133*? No

Identification of major programs:

Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA)

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, 2010**

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District’s annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles.

As similarly noted in our report No. 2010-111, our review of the District’s 2009-10 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. District personnel did not identify and allocate the critical needs millage levy to the appropriate fund, resulting in an overstatement of cash and property tax revenue of \$138,461.75 in the Capital Projects - Local Capital Improvement Fund and corresponding understatements in the General Fund. We were able to extend our audit procedures to determine the adjustments necessary to ensure the District’s financial statements were properly reported, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting.

Recommendation: The District should enhance procedures to ensure that account balances and transactions are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Ad Valorem Taxation

Section 1011.71, Florida Statutes, provides that each school board may levy against the taxable value no more than 1.5 mills for capital outlay purposes. This section also provides the allowable use of capital outlay millage levy proceeds that includes, among other things, funding construction, renovation, and new and replacement equipment. The conditions precedent to the levy of such taxes have been narrowly construed by the courts (e.g., Wilson vs. School Board of Marion County, 424 So.2d 16 [Fla. 5th DCA 1983]), and failure to fully comply with such conditions may serve to invalidate the levies. Among the specific conditions imposed by Section 200.065(10)(a), Florida Statutes, are requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each such tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes. Furthermore, Section 200.065(10)(b), Florida Statutes, establishes requirements for amending a list of capital outlay projects previously advertised and adopted.

The District accounts for the tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund. For the 2009-10 fiscal year, the District’s LCI Fund had capital outlay millage expenditures totaling \$653,408, and we tested expenditures totaling \$540,357 to determine their propriety. Our tests disclosed capital outlay millage expenditures totaling \$229,712 for a bus fueling facility project, including construction of a bus maintenance and service canopy, installation of a 15,000 gallon fuel tank, and related architectural fees; and totaling \$10,000 for a future facilities needs study at the high school. District personnel indicated that they considered the bus fueling facility project an allowable use of millage levy proceeds because the District included a Districtwide Equipment category in its advertisement. However, the Districtwide Equipment advertisement did not sufficiently identify the Board’s intention for these millage levy proceeds. In addition, the District’s advertisement did not include mention of the future facilities needs study at the high school because of an oversight. Further, the list of projects to be funded by the levy, as included in the budget presented at the public meeting in which the Board adopted the millage levy, did not include the bus fueling facility project nor the future facilities needs study at the high school. As such, the costs associated with these projects represent questioned costs, totaling \$239,712.

Recommendation: The District should enhance procedures to ensure that expenditures of tax levies are made only after being properly advertised pursuant to Section 200.065, Florida Statutes. Also, absent identification of the bus fueling facility project and future facilities needs study in the required advertisement, the tax moneys expended for these projects, totaling \$239,712, should be restored to the LCI Fund.

Finding No. 3: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee’s compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the District to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedule for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District’s procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The instructional personnel salary schedule did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes. While the salary schedule indicated consideration of differentiated pay for additional responsibilities such as coaches, club sponsors and guidance counselors, it did not include consideration of school demographics, critical shortage areas, or level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.
- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule evidenced consideration of additional responsibilities, school demographics, and level of job performance difficulties by providing differing administrative pay grades for elementary schools versus the high school based on the different type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 4: Time Records

Effective internal control requires supervisory approval of time worked and leave used by all employees. The District pays contracted employees on a payroll by exception basis in which employees receive their regular pay each period, unless employees use more leave than accumulated, resulting in a reduction to their salary. During the 2009-10 fiscal year, time sheets were prepared by the payroll system for hourly employees and were used to document work time. Supervisors reviewed and approved the time sheets, and signed to evidence this process. Contracted employees followed these same procedures from July 2009 through December 2009. In January 2010, the District began using a new accounting software that provided payroll reports for supervisors to certify employee work time; however, the reports only evidenced the payroll exceptions, such as leave taken, and did not disclose time worked by contracted employees. Consequently, the District maintained no records to evidence supervisory review and approval of contracted employee time worked from January 2010 through June 2010.

Subsequent to our inquiry, District records indicated, in August 2010, that supervisors began reviewing and approving reports evidencing the hours worked and leave taken for each contracted employee. Although our audit tests did not disclose any instances of incorrect salary payments or leave incorrectly posted, when work attendance and leave taken are not timely verified of record, the risk increases that employees may be incorrectly compensated and employee leave balances may be inaccurate.

Recommendation: The District should continue its efforts to ensure that employee work time is appropriately documented, including supervisory review and approval of such time.

Finding No. 5: Direct-Support Organization Audit

Pursuant to Chapter 10.700, Rules of the Auditor General, certified public accountants (CPAs) must perform audits of school district direct-support organizations in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. GAS requires auditors to report on internal control and compliance with laws, regulations, and provisions of contracts or grant agreements; maintain additional continuing education requirements; and obtain a peer review of their system of quality control at least once every three years. GAS also requires auditors to communicate to officials at the audit entity violations of provisions of contracts or grant agreements, abuse, fraud, and illegal acts.

The financial activities of the District's direct-support organization, the Dixie Education Foundation, Inc. (Foundation), are reported in the component unit columns of the District's financial statements and comprise 100 percent of the financial activities reported in those columns. Based on District records, the Foundation had expenses totaling \$68,963, and obtained an audit performed by a CPA; however, because the District and Foundation were unaware of the GAS requirement, the CPA did not perform the audit in accordance with GAS, contrary to Chapter 10.700, Rules of the Auditor General.

Recommendation: The District should ensure that the Foundation's annual audit is performed in accordance with *Government Auditing Standards*.

Finding No. 6: Information Technology – Policies and Procedures

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.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-111.

MANAGEMENT'S RESPONSE

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, 2010*

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
2010-111		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
www.dixie.k12.fl.us

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
Cheryl Pridgeon



Board Members
Chuck Farmer
Paul Gainey
Dwayne Rollison

March 1, 2011

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, 2010.

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. The necessary adjustments have been made to accurately report the critical needs millage levy and correct cash and property tax revenue for Capital Projects. The contact for this is Mrs. Tonya Howell, Director of Finance and Business Services.

Finding 2: Ad Valorem Taxation. To ensure that expenditures of tax levies are properly advertised we will enhance district procedures. In accordance with Florida Statute, the original capital outlay projects previously advertised and adopted have been amended to include the transportation bus fueling facility and the future facility needs study for a new high school. The contact for this is Mrs. Tonya Howell, Director of Finance and Business Services.

Finding 3: Compensation and Salary Schedules. The Board is currently in the process of adopting formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance and differentiated pay of instructional personnel and school based administrators is appropriately identified on salary schedules. The contact for this is Mr. H.H. (Buddy) Schofield, Director of Elementary and Secondary Education.

Finding 4: Time Records. As noted in the audit finding, beginning in August 2010 supervisors are now reviewing and approving reports to verify hours worked and leave taken for all contracted employees. The contact for this is Mrs. Tonya Howell, Director of Finance and Business Services.

Finding 5: Direct-Support Organization Audit. The district will take appropriate steps to ensure the Dixie Education Foundation's annual audit is performed in compliance with Government Auditing Standards. The contact for this is Mrs. Tonya Howell, Director of Finance and Business Services.

Finding 5: Information Technology – Policies and Procedures. We are beginning to address and write policies, plans, and procedures for all areas of the IT operation. With limited staff resources, this will be accomplished as time permits. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Respectfully,

Mark A. Rains, Superintendent
Dixie District Schools

No person shall on the basis of race, color, religion, gender, age, marital status, sexual orientation, disability, political or religious beliefs, national or ethnic origin, or genetic information, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity, or in any employment conditions or practices conducted by the School District, except as provided by law.