

**FRANKLIN 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>
George Thompson	1
David C. Hinton	2
Teresa Ann Martin, Vice Chair to 11-16-09	3
Jimmy Gander, Chair	4
Carlton L. Whaley, Vice Chair from 11-17-09	5

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

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

FRANKLIN COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

MATERIAL WEAKNESS

Finding No. 1: Improvements were needed in District procedures to ensure that financial information is properly reported on the financial statements and Schedule of Expenditures of Federal Awards.

SIGNIFICANT DEFICIENCIES

Finding No. 2: Controls could be enhanced to ensure Board-approved tax millages are appropriately assessed and collections from such millages are timely received.

Finding No. 3: The District's information technology security controls related to the assignment of access privileges needed improvement.

ADDITIONAL MATTERS

Finding No. 4: District performance assessments of instructional personnel and school administrators were not based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 5: 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 using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 6: District records did not always evidence that the use of capital outlay tax levy moneys for self-insurance premiums was consistent with Section 1011.71(5), Florida Statutes, resulting in \$10,977 of questioned costs.

Finding No. 7: Controls over social security numbers could be enhanced to comply with Section 119.071(5)(a), Florida Statutes.

Finding No. 8: The District could enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The 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 Franklin 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. 2010-126.

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin 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 28 percent of the assets and 94 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of The Apalachicola Bay Charter School, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and 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. 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 Franklin 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 Franklin 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 38 through 41) 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
February 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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.

FINANCIAL HIGHLIGHTS

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

- Net assets at June 30, 2010, total \$52,925,137.70, which represents an increase of \$481,449.15 (0.92 percent) from the previous fiscal year. This does not represent a significant change from the previous fiscal year.
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$478,747.75. The increase in the current fiscal year fund balance is primarily due to an increase in property taxes levied.
- The District uses Federal funding to supplement State and local funding provided by the Florida Education Finance Program (FEFP). The Florida Department of Education calculated FEFP funding, in part, based on student population.
- The Apalachicola Bay Charter School, Inc., continued to enjoy full enrollment in all grade levels K-8. It is reported as a component unit in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition to the basic financial statements; MD&A, the budgetary comparison schedule, and a schedule of funding progress are included as required supplementary information.

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.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and

administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District has two separate legal entities that meet the criteria for inclusion in the reporting entity as provided by generally accepted accounting principles. The Apalachicola Bay Charter School, Inc., d/b/a Apalachicola Bay Charter Elementary School and Apalachicola Bay Charter Middle School is reported separately from the financial information for the primary government as a discretely presented component unit.

The Franklin School Board Leasing Corporation (Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the District's financial statements as an integral part of the primary government.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base and student enrollment.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories 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, the Special Revenue – Other Fund, the Special Revenue – ARRA Economic Stimulus Fund, the Capital Projects – Public Education Capital Outlay Fund, and the 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 the 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	\$ 9,275,991.06	\$ 10,200,770.11
Capital Assets	59,587,112.88	60,857,249.65
Total Assets	68,863,103.94	71,058,019.76
Long-Term Liabilities	15,479,076.29	16,261,406.59
Other Liabilities	458,889.95	2,352,924.62
Total Liabilities	15,937,966.24	18,614,331.21
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	44,830,283.11	45,285,759.28
Restricted	7,447,877.42	6,859,288.15
Unrestricted	646,977.17	298,641.12
Total Net Assets	\$ 52,925,137.70	\$ 52,443,688.55

The largest portion of the District’s net assets (84.71 percent) reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (14.07 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (1.22 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

Other liabilities decreased by \$1,894,034.67, or 80.50 percent, mainly due to the payoff of a short-term loan of \$2,000,000, which also contributed to the decrease in current assets.

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	\$ 126,169.34	\$ 100,723.67
Operating Grants and Contributions	829,714.40	944,357.79
Capital Grants and Contributions	275,422.00	858,576.88
General Revenues:		
Property Taxes, Levied for Operational Purposes	9,596,138.62	8,531,630.50
Property Taxes, Levied for Capital Projects	2,702,114.24	4,240,271.46
Grants and Contributions Not Restricted to Specific Programs	4,436,265.57	4,465,102.35
Unrestricted Investment Earnings	28,830.88	(187,779.31)
Miscellaneous	291,653.83	157,398.24
Special Item		(2,915,126.16)
Total Revenues	18,286,308.88	16,195,155.42
Functions/Program Expenses:		
Instruction	9,359,048.70	8,441,315.99
Pupil Personnel Services	467,376.05	366,223.95
Instructional Media Services	152,148.20	107,373.13
Instruction and Curriculum Development Services	26,326.74	101,723.17
Instructional Staff Training Services	219,940.67	362,168.85
Instruction Related Technology	40,619.18	113,129.31
School Board	335,176.39	363,342.47
General Administration	262,534.42	400,724.56
School Administration	304,922.61	311,665.42
Facilities Acquisition and Construction	642,638.61	1,646,123.29
Fiscal Services	441,532.85	390,576.89
Food Services	836,010.08	760,738.01
Central Services	315,937.14	253,989.69
Pupil Transportation Services	948,588.75	934,002.98
Operation of Plant	939,536.61	879,668.63
Maintenance of Plant	299,874.56	251,391.65
Administrative Technology Services	51,604.43	18,317.31
Unallocated Interest on Long-Term Debt	723,103.20	759,264.29
Unallocated Depreciation Expense	1,382,079.18	1,575,262.38
Loss on Disposal of Capital Assets	55,861.36	
Total Functions/Program Expenses	17,804,859.73	18,037,001.97
Increase (Decrease) in Net Assets	\$ 481,449.15	\$ (1,841,846.55)

Governmental activities increased the District’s net assets by \$481,449.15 or 0.92 percent. The largest revenue source is local property taxes (67.25 percent), which decreased by \$473,649.10, or 3.71 percent, due mainly to a decrease in the Local Capital Improvement millage and a decrease in taxable value. In addition, the current year did not incur a special item loss as it did in the prior year.

Total expenses decreased by \$232,142.24, or 1.29 percent, from the previous year due in part to the non-recurrence of significant expenses for noncapitalized equipment of the new consolidated K-12 school (Franklin County School), in the amount of \$1,003,484.68. Instruction expenses represent 52.56 percent of total governmental expenses in the 2009-10 fiscal year. Instruction expenses increased by \$917,732.71, or 10.87 percent, from the previous year due

mainly to pay rate and step increases and a rate increase for health insurance benefits, resulting in an increase in salaries and related benefits.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Unreserved/Undesignated Fund Balance

- **General Fund.** The unreserved fund balance of the General Fund, which had increased steadily from the 2000-01 fiscal year to the 2004-05 fiscal year, experienced declines for the 2005-06, 2006-07, and 2007-08 fiscal years, and increased in the 2008-09 and 2009-10 fiscal years. The increase in the current year fund balance is primarily due to an increase in property taxes levied. The District will continue to focus on its goals of maintaining an upward trend through improved budgeting procedures and accountability, and the more effective use of revenue from State and Federal projects. The unreserved fund balance, as a percent of revenue, for the past 10 years is shown below.

<u>Fiscal Year</u>	<u>Unreserved/ Undesignated Fund Balance</u>	<u>Percent of Revenue</u>
2009-10	\$ 1,351,262.87	11.51%
2008-09	923,260.07	7.79
2007-08	111,245.99	1.05
2006-07	452,042.84	4.23
2005-06	764,825.20	7.70
2004-05	803,594.88	8.82
2003-04	787,877.38	9.25
2002-03	753,360.73	9.22
2001-02	701,380.29	8.53
2000-01	553,673.78	6.68

- **Special Revenue – Other Fund.** The Special Revenue - Other Fund has total revenue and expenditures of \$1,463,390.00 each. The District uses these funds to account for certain Federal program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds do not generally accumulate a fund balance.
- **Special Revenue – ARRA Economic Stimulus Fund.** The Special Revenue - ARRA Economic Stimulus Fund has total revenues and expenditures of \$730,470.71 each. The District uses these funds to account for certain Federal program resources related to the American Recovery and Reinvestment Act (ARRA). Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds do not generally accumulate a fund balance.
- **Capital Projects – Public Education Capital Outlay Fund.** The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$398,192.21, earmarked for new construction and renovation and remodeling capital outlay projects. There were no outstanding encumbrances at fiscal year-end.
- **Capital Projects – Local Capital Improvement Fund.** The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$6,611,490.34 generated by the local capital improvement tax levy for educational capital outlay needs, including new construction and renovation and remodeling projects. These funds can be spent on Board-advertised projects. The current year fund balance increased \$291,451.94 from the previous year, due mainly to the non-occurrence of significant expenses related to non-capitalized equipment for the new consolidated K-12 school. It should be noted that \$333,273.32 of the total fund balance has been reserved for investments in Fund B Surplus Funds Trust Funds are not readily available and are more fully described in Notes 1 and 3 to financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no noteworthy variances between original and final budget amounts or between the final budgeted and actual appropriations or expenditures.

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 \$59,587,112.88 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software.

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

Long-Term Debt

Long-term debt consists of two promissory notes from the Bank of America for a lease-purchase agreement with the Corporation, whereby the District secured financing of educational facilities in the amount of \$16,350,000 at an interest rate of 4.58 percent. The purpose of this debt was for partial funding of construction of the District's new K-12 Franklin County School. Interest and principal totaling \$1,537,740.06 will be paid every June 30 until paid in full on June 30, 2023.

Additional information on the District's long-term debt can be found in Notes 6 and 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

- ***Student Enrollment and Funding.*** General Fund revenues from State sources comprised 14.56 percent of the total available resources for current operations of the District. This is down from 23.77 percent the previous year. The decrease was primarily due to a decrease in State FEFP funding. Revenues from State sources for current operations are primarily from Categorical Educational Program – Class Size Reduction administered by the Florida Department of Education.
- ***Capital Outlay Funding.*** In addition to the operating funds discussed above, the District annually receives funding for capital outlay projects from State and local revenue. State sources include allocations for Public Education Capital Outlay, and local revenue is generated by the District's 1.00 millage levy for capital outlay.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Franklin County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, Franklin County District School Board, 85 School Road, Suite 1, Eastpoint, FL 32328.

BASIC FINANCIAL STATEMENTS

**FRANKLIN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010**

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 7,808,461.79	\$ 594,740.00
Investments - Other		380,273.00
Taxes Receivable	680,386.00	
Due from Other Agencies	315,018.07	28,126.00
Inventories	108,924.57	
Investments in SBA Fund B Surplus Funds Trust Fund	363,200.63	
Prepaid Expenses		1,678.00
Loan Costs, Net		254.00
Capital Assets:		
Nondepreciable Capital Assets	14,736,955.66	484,969.00
Depreciable Capital Assets, Net	44,850,157.22	523,961.00
TOTAL ASSETS	<u>\$ 68,863,103.94</u>	<u>\$ 2,014,001.00</u>
LIABILITIES		
Payroll Deductions and Withholdings	\$ 2,370.38	\$ 81,542.00
Accounts Payable	106,201.46	2,748.00
Deposits Payable	277,779.11	
Deferred Revenue	72,539.00	
Long-Term Liabilities:		
Portion Due Within One Year	942,490.26	85,824.00
Portion Due After One Year	14,536,586.03	42,029.00
Total Liabilities	<u>15,937,966.24</u>	<u>212,143.00</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	44,830,283.11	896,454.00
Restricted for:		
State Required Carryover Programs	45,160.98	
Capital Projects	7,085,324.86	67,723.00
Food Service	152,394.39	
Other Purposes	164,997.19	5,130.00
Unrestricted	646,977.17	832,551.00
Total Net Assets	<u>52,925,137.70</u>	<u>1,801,858.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,863,103.94</u>	<u>\$ 2,014,001.00</u>

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

**FRANKLIN 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	\$ 9,359,048.70	\$ 5,074.00	\$	\$
Pupil Personnel Services	467,376.05			
Instructional Media Services	152,148.20			
Instruction and Curriculum Development Services	26,326.74			
Instructional Staff Training Services	219,940.67			
Instruction Related Technology	40,619.18			
School Board	335,176.39			
General Administration	262,534.42			
School Administration	304,922.61			
Facilities Acquisition and Construction	642,638.61			223,958.08
Fiscal Services	441,532.85			
Food Services	836,010.08	121,095.34	829,714.40	
Central Services	315,937.14			
Pupil Transportation Services	948,588.75			
Operation of Plant	939,536.61			
Maintenance of Plant	299,874.56			51,463.92
Administrative Technology Services	51,604.43			
Unallocated Interest on Long-Term Debt	723,103.20			
Unallocated Depreciation Expense*	1,382,079.18			
Loss on Disposal of Capital Assets	55,861.36			
Total Governmental Activities	\$ 17,804,859.73	\$ 126,169.34	\$ 829,714.40	\$ 275,422.00
Component Unit				
The Apalachicola Bay Charter School, Inc.	\$ 2,438,778.00	\$ 0.00	\$ 258,085.00	\$ 297,370.00

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
 Special Items:
 Donated Value of Land Usage
 Donated Labor - Building Renovations
 Loss on Disposal of Fixed Assets

Total General Revenues and Special Items

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	Unit
Activities	
\$ (9,353,974.70)	\$
(467,376.05)	
(152,148.20)	
(26,326.74)	
(219,940.67)	
(40,619.18)	
(335,176.39)	
(262,534.42)	
(304,922.61)	
(418,680.53)	
(441,532.85)	
114,799.66	
(315,937.14)	
(948,588.75)	
(939,536.61)	
(248,410.64)	
(51,604.43)	
(723,103.20)	
(1,382,079.18)	
(55,861.36)	
(16,573,553.99)	
	(1,883,323.00)
9,596,138.62	
2,702,114.24	
4,436,265.57	2,308,777.00
28,830.88	7,334.00
291,653.83	
	9,000.00
	15,660.00
	(262,808.00)
17,055,003.14	2,077,963.00
481,449.15	194,640.00
52,443,688.55	1,607,218.00
\$ 52,925,137.70	\$ 1,801,858.00

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,142,266.50	\$ 6,320.35	\$	\$ 383,124.91
Taxes Receivable	680,386.00			
Due from Other Funds	120,714.76			
Due from Other Agencies	122,770.56	77,950.02	24,609.53	72,539.00
Inventories				
Investments in Fund B Surplus Funds Trust Fund	8,631.47			17,727.30
TOTAL ASSETS	<u>\$ 2,074,769.29</u>	<u>\$ 84,270.37</u>	<u>\$ 24,609.53</u>	<u>\$ 473,391.21</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 2,370.38	\$	\$	\$
Accounts Payable	70,946.74	18,992.68	3,318.50	2,660.00
Due to Other Funds	153,620.55	65,277.69	21,291.03	
Deposits Payable	277,779.11			
Deferred Revenue				72,539.00
Total Liabilities	<u>504,716.78</u>	<u>84,270.37</u>	<u>24,609.53</u>	<u>75,199.00</u>
Fund Balances:				
Reserved for State Required Carryover Programs	45,160.98			
Reserved for Fund B Surplus Funds Trust Fund	8,631.47			17,727.30
Reserved for Other Purposes	164,997.19			
Unreserved, Reported In:				
General Fund	1,351,262.87			
Special Revenue Funds				
Debt Service Funds				
Capital Projects Funds				380,464.91
Total Fund Balances	<u>1,570,052.51</u>			<u>398,192.21</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,074,769.29</u>	<u>\$ 84,270.37</u>	<u>\$ 24,609.53</u>	<u>\$ 473,391.21</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
\$ 6,167,785.62	\$ 108,964.41	\$ 7,808,461.79
148,507.11	5,113.44	680,386.00
	17,148.96	274,335.31
	108,924.57	315,018.07
<u>333,273.32</u>	<u>3,568.54</u>	<u>363,200.63</u>
<u>\$ 6,649,566.05</u>	<u>\$ 243,719.92</u>	<u>\$ 9,550,326.37</u>
\$ 3,930.20	\$ 6,353.34	\$ 2,370.38
34,145.51	0.53	106,201.46
		274,335.31
		277,779.11
		<u>72,539.00</u>
<u>38,075.71</u>	<u>6,353.87</u>	<u>733,225.26</u>
333,273.32	3,568.54	45,160.98
		363,200.63
		164,997.19
		1,351,262.87
	152,394.39	152,394.39
	9,306.27	9,306.27
<u>6,278,217.02</u>	<u>72,096.85</u>	<u>6,730,778.78</u>
<u>6,611,490.34</u>	<u>237,366.05</u>	<u>8,817,101.11</u>
<u>\$ 6,649,566.05</u>	<u>\$ 243,719.92</u>	<u>\$ 9,550,326.37</u>

**FRANKLIN 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 \$ 8,817,101.11

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. 59,587,112.88

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:

Notes Payable	\$ 14,756,829.77	
Compensated Absences Payable	577,137.52	
Other Postemployment Benefits Payable	145,109.00	(15,479,076.29)

Total Net Assets - Governmental Activities \$ 52,925,137.70

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

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**FRANKLIN 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	Capital Projects - Public Education Capital Outlay Fund
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 150,792.86	\$ 1,463,390.00	\$ 730,470.71	\$
State	1,709,488.40			206,426.00
Local:				
Property Taxes	9,596,138.62			
Charges for Services - Food Service				
Miscellaneous	283,821.13			12,889.86
Total Revenues	11,740,241.01	1,463,390.00	730,470.71	219,315.86
Expenditures				
Current - Education:				
Instruction	7,662,963.70	1,130,619.28	533,135.42	
Pupil Personnel Services	329,076.26	52,079.34	86,220.45	
Instructional Media Services	151,020.20	1,128.00		
Instruction and Curriculum Development Services	1,855.50	9,371.22	15,100.00	
Instructional Staff Training Services	7,787.12	179,582.87	32,570.68	
Instruction Related Technology	40,619.18			
School Board	335,176.39			
General Administration	205,788.02	51,134.09	5,612.31	
School Administration	304,922.61			
Facilities Acquisition and Construction	544.15			204,117.08
Fiscal Services	441,532.85			
Food Services	2.67		3,943.60	
Central Services	304,051.30	11,649.01	236.83	
Pupil Transportation Services	764,605.86	26,239.62		
Operation of Plant	939,536.61			
Maintenance of Plant	299,874.56			
Administrative Technology Services	51,604.43			
Fixed Capital Outlay:				
Other Capital Outlay	19,803.25	1,586.57	53,651.42	
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	11,860,764.66	1,463,390.00	730,470.71	204,117.08
Excess (Deficiency) of Revenues Over Expenditures	(120,523.65)			15,198.78
Other Financing Sources (Uses)				
Transfers In	630,667.00			
Transfers Out	(31,395.60)			
Total Other Financing Sources (Uses)	599,271.40			
Net Change in Fund Balances	478,747.75			15,198.78
Fund Balances, Beginning	1,091,304.76			382,993.43
Fund Balances, Ending	\$ 1,570,052.51	\$ 0.00	\$ 0.00	\$ 398,192.21

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
\$	\$ 767,563.40	\$ 3,112,216.97
	380,026.17	2,295,940.57
2,702,114.24		12,298,252.86
	121,095.34	121,095.34
153,434.35	8,657.80	458,803.14
<u>2,855,548.59</u>	<u>1,277,342.71</u>	<u>18,286,308.88</u>
		9,326,718.40
		467,376.05
		152,148.20
		26,326.72
		219,940.67
		40,619.18
		335,176.39
		262,534.42
		304,922.61
435,059.37	2,918.01	642,638.61
		441,532.85
	832,063.81	836,010.08
		315,937.14
		790,845.48
		939,536.61
		299,874.56
		51,604.43
250,505.82		325,547.06
	814,660.60	814,660.60
	723,103.20	723,103.20
<u>685,565.19</u>	<u>2,372,745.62</u>	<u>17,317,053.26</u>
<u>2,169,983.40</u>	<u>(1,095,402.91)</u>	<u>969,255.62</u>
	1,585,260.06	2,215,927.06
(1,878,531.46)	(306,000.00)	(2,215,927.06)
<u>(1,878,531.46)</u>	<u>1,279,260.06</u>	
291,451.94	183,857.15	969,255.62
6,320,038.40	53,508.90	7,847,845.49
<u>\$ 6,611,490.34</u>	<u>\$ 237,366.05</u>	<u>\$ 8,817,101.11</u>

**FRANKLIN 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 \$ 969,255.62

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. (1,214,275.41)

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (55,861.36)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period. 40,802.70

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (73,133.00)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. This is the amount of repayments in the current year. 814,660.60

Change in Net Assets - Governmental Activities \$ 481,449.15

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

**FRANKLIN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 91,809.00
Inventory	<u>5,198.00</u>
TOTAL ASSETS	<u>\$ 97,007.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 97,007.00</u>
TOTAL LIABILITIES	<u>\$ 97,007.00</u>

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

**FRANKLIN 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 Franklin County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Franklin 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 Franklin 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 units are included within the District's reporting entity:

- **Blended Component Unit.** The Franklin School Board Leasing Corporation (Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of The Apalachicola Bay Charter School, Inc., d/b/a Apalachicola Bay Charter Elementary School and Apalachicola Bay Charter Middle School. The Apalachicola Bay Charter School, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school contracts are for a period of five years commencing July 1, 2009, for the middle school and the elementary school and may be renewed by the mutual agreement of both parties. At the end of the term of a charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the charter school in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, in the event a school is dissolved or terminated, any unencumbered funds and all school property purchased with public funds shall automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The Apalachicola Bay Charter School, Inc. is considered a component unit of the District, since it is fiscally dependent on the District to levy taxes for its support.

An annual postaudit of The Apalachicola Bay Charter School Inc.'s financial statements is conducted by an independent certified accountant and is filed in the District's administrative office.

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

➤ **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 units.

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

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

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

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

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 – Public Education Capital Outlay Fund – to account for the financial resources allocated by the Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on notes payable.

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, 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 Apalachicola Bay Charter School, Inc. is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

➤ **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 with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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.

The District’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost based on the 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 and adjusted at year-end to reflect year-end physical inventories.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

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

➤ **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**

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 that 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 also received an allocation under the Classrooms First Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Classrooms First Program funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 10, 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.

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

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 Franklin County Tax Collector at fiscal year-end but not yet remitted to the District and for the additional 0.25 mills levied for critical operating needs. The additional 0.25 mills levied for critical operating needs was levied for the 2009-10 fiscal year tax rolls but not assessed due to an error on the 2009 tax bills. The taxes will be included in the 2010 tax bills based on the 2009 tax rolls and are accordingly included as revenue for the period for which the taxes are levied.

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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

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	\$ 7,270,808.85
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	<u>363,200.63</u>
Total Investments		<u>\$ 7,634,009.48</u>

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

Interest Rate Risk

- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to 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 (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District’s investment policy limits investments to bids from qualified depositories, as defined in Section 280.02, Florida Statutes; certificates of deposit; time deposits; securities of the United States Government; State managed cooperative investment plans; or other forms of authorized investments in accordance with Section 218.415, Florida Statutes.
- As of June 30, 2010, the District’s investment in Florida PRIME is rated AAAM by Standard & Poor’s. Fund B is unrated.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 4,711,650.00	\$	\$	\$ 4,711,650.00
Land Improvements - Nondepreciable	10,025,305.66			10,025,305.66
Total Capital Assets Not Being Depreciated	14,736,955.66			14,736,955.66
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,167,113.55		84,720.91	5,082,392.64
Buildings and Fixed Equipment	41,915,634.04			41,915,634.04
Furniture, Fixtures, and Equipment	1,065,234.69	133,279.79	151,616.43	1,046,898.05
Motor Vehicles	1,518,954.58	172,464.00		1,691,418.58
Computer Software	649,769.11	19,803.25	47,673.69	621,898.67
Total Capital Assets Being Depreciated	50,316,705.97	325,547.04	284,011.03	50,358,241.98
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	419,281.13	338,936.75	44,160.91	714,056.97
Buildings and Fixed Equipment	1,890,545.07	844,583.61		2,735,128.68
Furniture, Fixtures, and Equipment	549,197.97	100,936.04	138,984.83	511,149.18
Motor Vehicles	901,059.18	157,743.27		1,058,802.45
Computer Software	436,328.63	97,622.78	45,003.93	488,947.48
Total Accumulated Depreciation	4,196,411.98	1,539,822.45	228,149.67	5,508,084.76
Total Capital Assets Being Depreciated, Net	46,120,293.99	(1,214,275.41)	55,861.36	44,850,157.22
Governmental Activities Capital Assets, Net	\$ 60,857,249.65	\$ (1,214,275.41)	\$ 55,861.36	\$ 59,587,112.88

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 157,743.27
Unallocated	1,382,079.18
Total Depreciation Expense - Governmental Activities	\$ 1,539,822.45

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

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Short-Term Note Payable	<u>\$ 2,000,000</u>	<u>\$</u>	<u>\$ 2,000,000</u>	<u>\$</u>

The short-term note payable was repaid in July 2009.

6. NOTES PAYABLE

The District entered into a financing arrangement on December 29, 2006, which was characterized as a lease-purchase agreement, with the Franklin School Board Leasing Corporation (Corporation), whereby the District secured financing of various educational facilities in the total amount of \$16,350,000. The financing was accomplished through the issuance of two promissory notes, Note 2006 and Note 2007, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of \$1 per year. The initial term of the lease commenced on December 29, 2006, and ends on the earlier of the date on which the notes have been paid, or June 30, 2034 (both dates inclusive). The property covered by the ground lease is, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the site included under the Ground Lease Agreement to the Corporation, or the Bank as the assignee of the Corporation.

The District property included in the ground lease under this arrangement is located in the West one half of Fractional Section 23, Township 8 South, Range 6 West, as more fully described in the Ground Lease Agreement. The lease payments are payable by the District annually, on June 30, at an interest rate of 4.58 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

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

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 1,537,740.05	\$ 852,490.26	\$ 685,249.79
2012	1,537,740.06	890,307.66	647,432.40
2013	1,537,740.06	933,419.03	604,321.03
2014	1,537,740.05	976,763.37	560,976.68
2015	1,537,740.06	1,022,120.47	515,619.59
2016-2020	7,688,700.28	5,865,958.60	1,822,741.68
2021-2023	4,613,220.16	4,215,770.38	397,449.78
Total Minimum Lease Payments	<u>\$ 19,990,620.72</u>	<u>\$14,756,829.77</u>	<u>\$ 5,233,790.95</u>

7. 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					
Notes Payable	\$ 15,571,490.37	\$	\$ 814,660.60	\$ 14,756,829.77	\$ 852,490.26
Compensated Absences Payable	617,940.22	37,869.06	78,671.76	577,137.52	90,000.00
Other Postemployment Benefits Payable	71,976.00	173,978.00	100,845.00	145,109.00	
Total Governmental Activities	<u>\$ 16,261,406.59</u>	<u>\$ 211,847.06</u>	<u>\$ 994,177.36</u>	<u>\$ 15,479,076.29</u>	<u>\$ 942,490.26</u>

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 120,714.76	\$ 153,620.55
Special Revenue:		
Other		65,277.69
ARRA Economic Stimulus		21,291.03
Capital Projects:		
Local Capital Improvement	148,507.11	34,145.51
Nonmajor Governmental	5,113.44	0.53
Total	<u>\$ 274,335.31</u>	<u>\$ 274,335.31</u>

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

The above interfund receivables and payables mainly represent moneys owed to the General Fund by the Capital Projects – Local Capital Improvement Fund for reimbursement for maintenance expenditures and for temporary loans to the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund. The interfund receivable for the Capital Projects – Local Capital Improvement Fund was for property taxes recorded by the General Fund. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 630,667.00	\$ 31,395.60
Capital Projects:		
Local Capital Improvement		1,878,531.46
Nonmajor Governmental	1,585,260.06	306,000.00
Total	\$ 2,215,927.06	\$ 2,215,927.06

Transfers to the General Fund were for reimbursements of maintenance expenditures, payment for the District’s charter schools, and property and casualty insurance premiums. Additionally, \$306,000 of unrestricted debt service moneys were transferred from a nonmajor debt service fund to the General Fund. Transfers to the nonmajor governmental funds were to cover debt service costs, reimburse expenditures for nonmajor capital projects fund, and to cover raises for employees of the District’s food service program.

9. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010. There were no outstanding purchase orders at June 30, 2010.

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

10. 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>
Categorical Educational Program - Class Size Reduction	\$ 1,228,168.00
Charter School Capital Outlay Funds	163,335.00
Florida Education Finance Program	102,420.00
Voluntary Prekindergarten Program	94,534.78
School Recognition	88,172.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	61,006.00
Workforce Development Program	51,157.00
Gross Receipts Tax (Public Education Capital Outlay)	43,091.00
Food Service Supplement	13,406.00
Mobile Home License Tax	4,920.06
Discretionary Lottery Funds	3,257.00
Miscellaneous	442,473.73
Total	<u><u>\$ 2,295,940.57</u></u>

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

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 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	2.052	\$ 5,790,318.20
Basic Discretionary Local Effort	0.748	2,110,701.30
Critical Operating Needs	0.250	705,448.18
Voted School Tax:		
Additional Operating	0.500	1,410,896.59
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.000	2,821,793.19
 Total	<u><u>4.550</u></u>	<u><u>\$ 12,839,157.46</u></u>

12. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida

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

Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the 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.

**FRANKLIN 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	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
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 \$550,613.67, \$558,268.86, and \$584,747.87, respectively, which were equal to the required contributions for each fiscal year. There were 13 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$53,432.05.

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

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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, prescription drug, and life insurance coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Additionally, the Board contributes \$25,000 annually towards the cost of retiree life and health insurance premiums. Premiums for life insurance are fully paid by the Board and the remainder of the \$25,000 is divided equally between all retirees covered through the

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

District’s plan in the form of a subsidy to the health insurance premium. As the number of eligible retirees fluctuates, so does the amount of the subsidy. 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, 20 retirees received postemployment healthcare benefits and 72 retirees received life insurance coverage. The District’s contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$100,845. Plan members receiving benefits contributed \$161,054 through their required contributions of \$530 per month for retiree-only coverage and \$834 for retiree and spouse coverage, depending on the health plan selected.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 52,672
Amortization of Unfunded Actuarial Accrued Liability	114,422
Interest on Normal Cost and Amortization	<u>8,508</u>
Annual Required Contribution	175,602
Interest on Net OPEB Obligation	3,419
Adjustment to Annual Required Contribution	<u>(5,043)</u>
Annual OPEB Cost (Expense)	173,978
Contribution Toward the OPEB Cost	<u>(100,845)</u>
Increase in Net OPEB Obligation	73,133
Net OPEB Obligation, Beginning of Year	<u>71,976</u>
Net OPEB Obligation, End of Year	<u><u>\$ 145,109</u></u>

**FRANKLIN 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 and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$ 0		\$ 0
2008-09	168,454	57.3%	71,976
2009-10	173,978	58.0%	145,109

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$1,534,105, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,534,105 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$5,372,276, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.6 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 OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 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 4.75 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 8.5 percent beginning October 1, 2009, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 13 years.

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

14. 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 Franklin County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management Consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

**FRANKLIN 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 State	\$ 160,000.00	\$ 150,793.00	\$ 150,792.86	\$ (0.14)
State	1,854,327.00	1,708,573.00	1,709,488.40	915.40
Local:				
Property Taxes	9,674,050.00	9,744,645.73	9,596,138.62	(148,507.11)
Miscellaneous	110,000.00	283,821.13	283,821.13	
Total Revenues	11,798,377.00	11,887,832.86	11,740,241.01	(147,591.85)
Expenditures				
Current - Education:				
Instruction	7,638,944.00	7,662,963.75	7,662,963.70	0.05
Pupil Personnel Services	309,988.00	329,988.00	329,076.26	911.74
Instructional Media Services	145,693.00	151,127.00	151,020.20	106.80
Instruction and Curriculum Development Services		2,000.00	1,855.50	144.50
Instructional Staff Training Services		7,856.00	7,787.12	68.88
Instruction Related Technology	68,503.00	48,378.00	40,619.18	7,758.82
School Board	355,470.00	340,470.00	335,176.39	5,293.61
General Administration	236,477.00	206,477.00	205,788.02	688.98
School Administration	453,760.00	313,760.00	304,922.61	8,837.39
Facilities Acquisition and Construction		600.00	544.15	55.85
Fiscal Services	409,464.00	442,464.00	441,532.85	931.15
Food Services		3.00	2.67	0.33
Central Services	324,171.00	310,171.00	304,051.30	6,119.70
Pupil Transportation Services	795,905.00	765,905.00	764,605.86	1,299.14
Operation of Plant	827,152.00	939,537.00	939,536.61	0.39
Maintenance of Plant	207,746.00	328,961.00	299,874.56	29,086.44
Administrative Technology Services	15,000.00	52,000.00	51,604.43	395.57
Fixed Capital Outlay:				
Other Capital Outlay		19,803.25	19,803.25	
Total Expenditures	11,788,273.00	11,922,464.00	11,860,764.66	61,699.34
Excess (Deficiency) of Revenues Over Expenditures	10,104.00	(34,631.14)	(120,523.65)	(85,892.51)
Other Financing Sources (Uses)				
Transfers In	624,667.00	630,667.00	630,667.00	
Transfers Out	(25,000.00)	(31,400.00)	(31,395.60)	4.40
Total Other Financing Sources	599,667.00	599,267.00	599,271.40	4.40
Net Change in Fund Balances	609,771.00	564,635.86	478,747.75	(85,888.11)
Fund Balances, Beginning	1,099,338.76	1,091,305.00	1,091,304.76	(0.24)
Fund Balances, Ending	\$ 1,709,109.76	\$ 1,655,940.86	\$ 1,570,052.51	\$ (85,888.35)

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,008,621.00	\$ 1,469,151.00	\$ 1,463,390.00	\$ (5,761.00)	\$ 1,140,457.00	\$ 1,165,768.00	\$ 730,470.71	\$ (435,297.29)
<u>1,008,621.00</u>	<u>1,469,151.00</u>	<u>1,463,390.00</u>	<u>(5,761.00)</u>	<u>1,140,457.00</u>	<u>1,165,768.00</u>	<u>730,470.71</u>	<u>(435,297.29)</u>
825,794.00	1,130,694.00	1,130,619.28	74.72	779,364.00	779,364.00	533,135.42	246,228.58
51,648.00	52,148.00	52,079.34	68.66	170,907.00	184,819.00	86,220.45	98,598.55
	1,200.00	1,128.00	72.00				
11,200.00	11,200.00	9,371.22	1,828.78	30,998.00	30,998.00	15,100.00	15,898.00
40,483.00	179,596.43	179,582.87	13.56	34,500.00	38,372.00	32,570.68	5,801.32
3,652.00	3,652.00		3,652.00	15,248.00	15,248.00	5,612.31	9,635.69
40,661.00	51,161.00	51,134.09	26.91	25,000.00	25,000.00		25,000.00
				48,745.00	2,383.58	3,943.60	(1,560.02)
10,799.00	11,650.00	11,649.01	0.99		237.00	236.83	0.17
24,384.00	26,263.00	26,239.62	23.38	33,092.00	33,092.00		33,092.00
				2,603.00	2,603.00		2,603.00
	1,586.57	1,586.57			53,651.42	53,651.42	
<u>1,008,621.00</u>	<u>1,469,151.00</u>	<u>1,463,390.00</u>	<u>5,761.00</u>	<u>1,140,457.00</u>	<u>1,165,768.00</u>	<u>730,470.71</u>	<u>435,297.29</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>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	\$ 0	\$ 1,534,105	\$ 1,534,105	0.0%	\$ 5,372,276	28.6%

**FRANKLIN 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

**FRANKLIN 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)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 200,660.20	\$
National School Lunch Program	10.555	300, 350	391,142.65	
Summer Food Service Program for Children	10.559	323	15,306.55	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	40,398.90	
Total Child Nutrition Cluster			647,508.30	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	48,745.00	
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	330	15,950.00	15,950.00
Total United States Department of Agriculture			712,203.30	15,950.00
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	322,370.21	18,021.76
Special Education - Preschool Grants	84.173	267	29,235.80	7,423.64
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	99,347.32	2,076.88
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	9,643.00	
Total Special Education Cluster			460,596.33	27,522.28
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226	649,713.77	47,869.46
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	176,847.64	38,918.87
Total Title I, Part A Cluster			826,561.41	86,788.33
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	3,558.31	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	8,686.75	
Total Educational Technology State Grants Cluster			12,245.06	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	362,725.00	91,000.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	24,476.00	
Total State Fiscal Stabilization Fund Cluster			387,201.00	91,000.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	20,641.34	
Career and Technical Education - Basic Grants to States	84.048	161	60,796.26	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	5,326.82	
Twenty-First Century Community Learning Centers	84.287	244	156,448.12	75,048.25
Rural Education	84.358	110	33,619.37	
Improving Teacher Quality State Grants	84.367	224	181,680.00	1,151.92
Washington County District School Board:				
Reading First State Grants	84.357	None	3,082.52	
Total United States Department of Education			2,148,198.23	281,510.78
Total Expenditures of Federal Awards			\$ 2,860,401.53	\$ 297,460.78

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

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



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin 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 Franklin County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 2 and 3 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA

February 18, 2011



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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 Franklin 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 fiscal 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

February 18, 2011

**FRANKLIN 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? Yes

Significant deficiency(ies) identified that are not considered to be a 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 a 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

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

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

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. In addition, United States Office of Management and Budget *Circular A-133* requires the District to prepare a Schedule of Expenditures of Federal Awards (SEFA) that lists grants and their respective expenditures.

As similarly noted in previous audit reports, most recently in our report No. 2010-126, the District's 2009-10 fiscal year annual financial report, as presented for audit, contained certain reporting errors resulting from weaknesses in control procedures. For example:

- On the government-wide statement of net assets, the District omitted net assets restricted for capital projects of approximately \$7.1 million and understated investment in capital assets, net of related debt, by approximately \$770,000, resulting in a \$7.87 million overstatement of unrestricted net assets. Misreporting net asset classifications may cause financial statement users to incorrectly assess the District's financial position.
- For the Capital Projects – Local Capital Improvement Fund, the District double-reported facilities acquisition and construction expenditures totaling approximately \$250,000 on the statement of revenues, expenditures, and changes in fund balance (SRECFB). As a result, ending fund balance on the governmental funds balance sheet exceeded the ending fund balance of the SRECFB by this amount, potentially causing financial statement users to misunderstand the extent of the District's capital outlay activities.
- Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires the District to determine the major funds that require separate columnar presentation. The District must report a fund as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications. However, District personnel incorrectly reported approximately \$29,000 as due from other agencies and due to other funds in the Special Revenue – ARRA Economic Stimulus Fund for Federal amounts due from the Florida Department of Education. As a result, the District understated these accounts in the Special Revenue – Other Fund (SRO Fund), and did not report the SRO Fund as a major fund, contrary to GAAP. Separately reporting major funds allows financial statement users to readily identify the District's most significant funds and their related balances and transactions, and ensures compliance with GAAP.
- On the SEFA, the District understated expenditures for the Twenty-First Century program by approximately \$157,000, Special Education program by approximately \$123,000, State Fiscal Stabilization Fund program by approximately \$91,000, Title I program by approximately \$21,000, and other programs by approximately \$20,000, resulting in total understatements of approximately \$412,000. Without procedures to accurately

report Federal programs and related expenditures on the SEFA, the risk increases that these programs may not be audited, contrary to Federal requirements, and costs associated with those programs may be subject to disallowance by the grantors.

These financial statement and SEFA reporting errors occurred because District personnel had not established effective procedures to accurately report certain amounts on the financial statements and SEFA, and review procedures were not in place to detect and correct reporting errors. We were able to extend our audit procedures to determine the adjustments necessary to ensure the District’s financial statements and SEFA were materially correct, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement controls over financial reporting.

Recommendation: To facilitate proper financial reporting, the District should enhance procedures to ensure that information is properly reported on the financial statements and SEFA.

SIGNIFICANT DEFICIENCIES

Finding No. 2: Critical Operating Needs Tax Millage

Section 1011.71(3)(b), Florida Statutes, allows each district school board, by a super majority vote, to levy an additional 0.25 mills for critical capital outlay needs or for critical operating needs. The District properly advertised and approved this supplemental millage for the 2009 tax roll to generate revenues totaling approximately \$680,000. The District submitted appropriate and timely documentation to the Franklin County Property Appraiser and Tax Collector, and to the Florida Department of Revenue to assess the millage. However, the District did not appropriately monitor the process to ensure that the Property Appraiser timely assessed, and the Tax Collector timely collected, the supplemental millage. District records indicated that the Property Appraiser made a clerical error in finalizing the tax roll, resulting in the omission of the supplemental millage from the tax assessments, and tax distribution correspondence only indicated the total amount disbursed to each taxing authority and did not itemize the individual millage rates and corresponding collections. Further, the District was unaware that the millage was not assessed during the 2009-10 fiscal year. In July 2010, the District determined there was a shortfall in tax revenues of approximately \$600,000 to \$700,000, and initially attributed the shortfall to the economy and decrease in taxable values; however, our review disclosed that the critical operating needs millage was not assessed on the 2009 tax roll.

For the 2010-11 fiscal year, District procedures have been modified, effective with the 2010 tax roll, such that tax millages are verified and approved by the taxing agency before the tax rolls are formally assessed. Additionally, upon approval by the Florida Department of Revenue, the omitted portion of the 2009 levy was included with the 2010 tax assessments as a special line item.

Recommendation: The District should continue its efforts to ensure that Board-approved tax millages are appropriately assessed and collections from such millages are timely received.

Finding No. 3: Information Technology – Management of Access Privileges

Effective access controls provide employees access to IT resources based on an employee’s demonstrated need to view, change, or delete data. Further, effective access controls provide employee access privileges that are established to restrict employees from performing incompatible functions or functions outside of their areas of responsibility. As

similarly noted in previous audit reports, most recently in our report No. 2010-126, our audit noted that inappropriate or unnecessary access privileges existed, contrary to appropriate separation of incompatible duties. Specifically:

- The former Director of Finance retired on January 31, 2010, but continued to provide consulting services for the District subsequent to his retirement. This individual continued his responsibility for reviewing and approving finance transactions, had the ability to update journal entries within the finance application, and served as one of the District's security administrators. The combination of this level of access, along with the responsibilities held by this individual to approve all journal entries and bank reconciliations, was contrary to an appropriate separation of duties and weakened the effectiveness of other District controls. Although audit tests of District transactions indicated that transactions were properly supported, our tests cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.
- Another employee from the finance department had the ability to add or change vendor information and pay invoices. These access privileges permitted the employee to perform incompatible duties, increasing the risk of errors or fraud. In response to audit inquiry, District management indicated that inappropriate and unnecessary access privileges had been removed effective September 21, 2010.

Recommendation: The District should improve its review of the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access privileges as detected to minimize the risk that the access privileges could be used to compromise District data or IT resources.

ADDITIONAL MATTERS

Finding No. 4: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel and school administrators based on criteria prescribed by Section 1012.34(3)(a), except that instructional personnel and school administrators were not always evaluated based primarily on student performance. Performance appraisals for instructional personnel included student growth and achievement results from certain State and local standardized tests as one criteria that represented 50 percent of the performance assessment; however, instructional personnel were not evaluated based primarily on student performance from FCAT scores because the scores were not available when the evaluations were performed. Although the District did not timely receive the FCAT scores, the District made no performance assessments of instructional personnel after receipt of the FCAT scores to ensure appropriate consideration of student performance. In addition, the school administrative performance appraisals included student growth and achievement as a component of the evaluation, but the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate the administrative performance. Without measuring employee performance by the required criteria, performance

assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

Recommendation: The District should ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.

Finding No. 5: 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 Board 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 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 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 and applicable union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. In addition, because the District only has one school-based administrator, the requirement to consider the differentiated pay factors for school-based administrators does not apply. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, for instructional personnel could be improved, as follows:

- The salary schedule and union contract 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.
- The salary schedule and union contract indicated that salary supplements would be provided for additional responsibilities, school demographics, level of performance difficulties, and critical shortage areas. Instructional personnel identified for these supplements included guidance counselors, exceptional student education teachers, technology support specialists, and others. While District records evidenced the basis for consideration of the differentiated pay factors of additional responsibilities, school demographics, level of performance difficulties, the basis for identifying the critical shortage areas was not readily apparent.

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 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 is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 6: Ad Valorem Taxation

Section 1011.71(2), Florida Statutes, provides that the Board may levy against the taxable value not more than 1.5 mills for specified capital outlay related purposes. Section 1011.71(5), Florida Statutes, provides that the District may expend up to \$100 per unweighted full-time equivalent student from the revenue generated by the tax levy for certain specified purposes, including paying the cost of premiums for property and casualty insurance necessary to insure school district educational and ancillary plants. The District accounts for the capital outlay tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

The District is a member of the Panhandle Area Educational Consortium (PAEC) and participates in PAEC's Risk Management Program relating to property and casualty insurance. Several districts established the program, self-sustained through member assessments (premiums), as 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 PAEC. PAEC assessed the participating districts their applicable premiums, and the District transferred capital outlay tax levy moneys from the LCI Fund to its General Fund to reimburse certain insurance premiums, totaling \$120,895. However, \$10,977 of the amount transferred exceeded the property insurance premiums, and District records did not identify that this amount related to insurance for educational and ancillary plants. As such, the \$10,977 represents questioned costs.

Without adequate controls to ensure that capital outlay tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions. Section 1011.71(6), Florida Statutes, provides that a district that violates the expenditure restrictions of Section 1011.71, Florida Statutes, shall have an equal dollar reduction in Florida Education Finance Program funds appropriated to the district in the fiscal year following the audit citation.

Recommendation: The District should enhance its procedures to ensure that capital outlay tax levy proceeds are expended only for authorized purposes. In addition, the District should document that the \$10,977 of capital outlay tax levy proceeds was used for property and casualty insurance necessary to insure school district educational and ancillary plants or restore these questioned costs to the LCI Fund.

Finding No. 7: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District identified employees by designated numbers on its payroll register and did not use SSNs for these record keeping purposes, but obtained SSNs for other purposes such as insurance, withholding taxes, background checks of new employees and vendors, and registration of new students. However, as of January 2011, the District had not performed a review and evaluation of its reasons for collections of SSNs, or prepared written statements notifying individuals of the purpose for the collection of SSNs. District personnel indicated that because of the small number of District personnel and other priorities, the District had been unable to complete these procedures. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. A similar finding was noted in previous audit reports, most recently in our report No. 2010-126.

Recommendation: The District should take appropriate action to ensure compliance with Section 119.071(5)(a), Florida Statutes. Such action should include an evaluation of the reasons the District collects SSNs from individuals. In those instances in which the District determines that the collection of the SSNs is not imperative for the performance of its duties and responsibilities, the District should discontinue obtaining such SSNs.

Finding No. 8: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2009-081, Laws of Florida, Specific Appropriation 111, states that from the funds provided in Specific Appropriations 9 and 111, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a course and the withdrawal date or end-of-course date, whichever is sooner.

During the 2009-10 fiscal year, the District reported 5,806 adult general education contact hours for 43 students to FDOE and we tested 936 hours reported for 12 students enrolled in these courses. As similarly noted in previous audit reports, most recently in our report No. 2010-126, the District misreported hours for the 12 students tested resulting in 648 net hours overreported. The errors occurred, in part, because:

- District records for seven students enrolled in 12 courses disclosed that the actual attendance hours, based on enrollment and withdrawal dates, were less than reported, resulting in 200 net hours overreported. District personnel indicated that these were due to errors made by District personnel when entering student entry and exit dates, and other input errors.

- Section 1011.80(5)(d), Florida Statutes, indicates that courses shall not be reported for State funding provided at public educational institutions that are externally funded for direct instructional cost. However, our review disclosed that a separately funded nonprofit agency, unpaid by the District, provided adult general education instruction to five students in 10 courses, and the District reported these hours for State funding. As a result, the District overreported 448 hours for these courses.

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

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

FEDERAL AWARDS FINDING AND QUESTIONED COST

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, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2010-126.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*FRANKLIN 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
2009-138 (1)	Twenty-First Century Community Learning Centers (CFDA No. 84.287) / Subrecipient Monitoring and Matching	The District did not properly monitor grant and subgrant supported activities and ensure compliance with matching requirements for the Twenty-First Century program resulting in questioned costs of \$158,704.	Partially corrected.	The District established procedures to monitor grant and subgrant activities. Final resolution of the questioned costs rests with the Florida Department of Education and remains unresolved.
2010-126 (1)	Special Education Cluster (CFDA No. 84.027 and 84.173) - Allowable Costs/Cost Principles	Procedures could be enhanced to ensure that the District properly receives services before it pays for them, and maintains documentation of this process.	Corrected.	Procedures and documentation has been established in accordance with audit recommendations.
2010-126 (2)	Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Education Technology State Grants, Recovery Act (CFDA No. 84.386); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); and Special Education - Preschool Grants, Recovery Act (CFDA No. 84.392) - Reporting and Special Tests and Provisions	Contrary to the registration requirements for Federal awards, the District did not timely register in the Central Registration database.	Corrected.	The Director of Financial Services registered with the Central Registration database on January 11, 2010. The Director of Financial Services has established a procedure to ensure compliance with the annual registration requirements.

EXHIBIT A
MANAGEMENT'S RESPONSE



Nina M. Marks
Superintendent

Franklin County Schools

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Eastpoint, Florida 32328
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www.franklincountyschools.org



Working Together
Making A Difference

February 14, 2011

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

Dear Mr. Martin:

Please note the following pages as Franklin District Schools' response to the Franklin District School Board Preliminary and Tentative Audit Findings submitted to us from the Auditor General's office.

The Franklin School District is in appreciation for the vital service your office renders to small school districts such as ours. Though we are always striving to present a fiscally sound program we are still grateful for the astute evaluation offered by your staff.

If I may be of any further service or should follow-up be required please feel free to contact my office.

Sincerely,

Nina M. Marks
Superintendent

Board Meets First Thursday After First Monday in Each Month

George Thompson
District 1

David Hinton
District 2

Teresa Ann Martin
District 3

Jimmy Gander
District 4
Chair

Carlton Whaley
District 5
Vice Chair

An Equal Opportunity Employer

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

02/18/2011

In response to the *Franklin District School Board Preliminary and Tentative Audit Findings.*

MATERIAL WEAKNESS:

Finding No. 1:

Improvements were needed in district procedures to ensure that financial information is properly reported on the financial statements and Schedule of Expenditures of Federal Awards.

Response:

I agree with this finding. The AFR was prepared in a transitory mode during this AFR reporting period. The district was without a Finance Director for a few months and had contracted with the retired and former Finance Director to compile the AFR. It was also at this time the district hired a new Finance Director who was learning the AFR process. The failure to properly report data on the Schedule of Expenditures of Federal Awards was somewhat a consequence of this lack of consistency.

Corrective Action:

We have amended our reporting procedures requiring the accountant specialist to now review reports the finance director has completed to provide a better check and balance. We have also redesigned our AFR reporting Excel spreadsheets (worksheets) to clearly indicate all pertinent data required in the financial statements and in particular the Schedule of Expenditures of Federal Awards.

SIGNIFICANT DEFICIENCIES:

Finding No.2:

Controls could be enhanced to ensure Board-approved tax millages are appropriately assessed and collections from such millages are timely received.

Response:

I agree with this finding, while maintaining the Tax Collector's office has preeminent responsibility for the collection process including timeliness of collections.

Corrective Action:

The Franklin District School Board has requested the Franklin Tax Collector's office provide documents validating revenues from Board-approved tax millage assessments. The Franklin District Schools Finance office has received several documents verifying by line item the amounts of tax revenues received from tax millage assessments. We are continuing to work with the Tax Collector's office to see if it is possible for a line item breakdown for each distinct tax millage assessed.

Finding No. 3:

The District's Information Technology (IT) security controls related to the assignment of access privileges needed improvement.

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

02/18/2011

Response:

I agree with this finding but being a small district provides its challenges in this regard.

Corrective Action:

The vendor assignment capability has been reassigned to the receptionist rather than the accounts payable specialist. The former Finance Director has been completely removed from any access privilege to the District's (IT), Finance & MIS systems. The current Finance Director no longer has security access in the (IT) systems. That access has been given to another employee in another cost center. The District will continue to have two employees with security access.

ADDITIONAL MATTERS:

Finding No. 4:

District performance assessment procedures for instructional personnel and school administrators were not based primarily on student performance, contrary to Section 1012.34 (3), Florida Statutes.

Response:

I agree with this finding.

Corrective Action:

Administrators and instructional personnel have been assigned to a "Performance Based Assessment" committee for the explicit purpose of planning, formatting, creating, implementing and evaluating the performance based assessment policies and procedures according to Section 1012.34(3), Florida Statutes. Participation in DOE training workshops has begun and will be maintained as necessary throughout this process.

Finding No. 5:

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 using the factors prescribed in Section 1012.22 (10)(c) 4, Florida Statutes.

Response:

I agree with this finding.

Corrective Action:

Subsequent to the work of the above noted "Performance Based Assessment" committee, policies and salary schedules will be presented for approval to the District School Board prior to the next school year.

Finding No. 6:

District records did not always evidence that the use of capital outlay tax levy moneys for self-insurance premiums was consistent with the Section 1011.71(5), Florida Statutes, resulting in \$10,977 of questioned costs.

EXHIBIT A
MANAGEMENT’S RESPONSE (CONTINUED)

02/18/2011

Response:

I agree with this finding.

Corrective Action:

This I believe was actually an oversight including the “automobile” premium policy of approximately the same amount. We have copied Section 1011.71(5), Florida Statutes, and placed in our PAEC correspondence file regarding the annual premium. The \$10,977 noted as questioned costs will be reimbursed from the General Fund (110) back to the LCIF account, Fund 370.

Finding No. 7:

Controls over social security numbers could be enhanced to comply with Section 119.071(5)(a), Florida Statutes.

Response:

I agree with this finding.

Corrective Action:

The Franklin District Finance Director is evaluating and producing policies and procedures to address this issue. Policy changes and additions will be presented to the District School Board prior to the end of this school year

Finding No. 8:

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

Response:

I agree with this finding.

Corrective Action:

The District administrator with oversight of Adult Education has created a policy of communicating with district MIS personnel when an Adult Ed student has graduated and no longer qualifying for FTE enrollment.