

TAYLOR COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2011



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	<u>District No.</u>
Mark A. Southerland to 11-15-10	1
Danny Glover from 11-16-10	1
Brenda H. Carlton, Chair	2
Darrell Whiddon	3
Delton "Danny" Lundy, Vice Chair	4
Kenneth R. Dennis	5

Paul E. Dyal, Superintendent

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

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

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

**TAYLOR 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, as summarized below. However, these significant deficiencies are not considered to be material weaknesses.

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

SIGNIFICANT DEFICIENCIES

Finding No. 1: The District's bank account reconciliation procedures were not effective.

Finding No. 2: The District needed to improve its financial reporting procedures.

Finding No. 3: The District needed to enhance its budgetary process and ensure that monthly financial statements are timely provided to the Board.

ADDITIONAL MATTERS

Finding No. 4: Controls over journal entries needed improvement.

Finding No. 5: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 6: 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 (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 7: Controls over electronic funds transfers could be enhanced.

Finding No. 8: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 9: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 10: Certain IT security controls related to data loss prevention needed improvement.

Finding No. 11: The District did not have a written IT security incident response plan.

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; Federal Pell Grant; Educational Technology State Grants Cluster; State Fiscal Stabilization Fund Cluster; Education Jobs Fund; and Head Start Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2011-161.

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, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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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 Taylor County District School Board, as of and for the fiscal year ended June 30, 2011, 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 11 percent of the assets and 27 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Taylor County Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 Taylor County District School Board as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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 Taylor County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Taylor County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 39.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- In total, net assets increased \$2,790,075.44, which represents an 8.59 percent increase over the 2009-10 fiscal year.
- General revenues total \$30,494,047.49, or 91.71 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,756,907.53, or 8.29 percent of all revenues.
- Expenses total \$30,460,879.58. Only \$2,756,907.53 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$2,790,075.44.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board totals \$3,384,338.44 at June 30, 2011, or 17.16 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report, the Taylor County Education Foundation, Inc. Although a legally separate organization, the component unit is included in this report

because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

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

The District adopts an annual appropriated budget for its governmental funds.

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

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

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

Notes to Financial Statements

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

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, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-11	6-30-10
Current and Other Assets	\$ 10,007,881.40	\$ 8,907,691.81
Capital Assets	30,818,568.89	29,705,585.83
Total Assets	40,826,450.29	38,613,277.64
Long-Term Liabilities	3,346,078.07	3,410,140.61
Other Liabilities	2,195,120.51	2,707,960.76
Total Liabilities	5,541,198.58	6,118,101.37
Net Assets:		
Invested in Capital Assets	30,818,568.89	29,705,585.83
Restricted	4,077,151.36	4,360,324.40
Unrestricted (Deficit)	389,531.46	(1,570,733.96)
Total Net Assets	\$ 35,285,251.71	\$ 32,495,176.27

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

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

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

Operating Results for the Fiscal Year Ended			
	Governmental Activities		
	6-30-11	6-30-10	
Program Revenues:			
Charges for Services	\$ 726,562.61	\$ 766,629.90	
Operating Grants and Contributions	1,249,375.09	1,793,701.80	
Capital Grants and Contributions	780,969.83	1,191,702.86	
General Revenues:			
Property Taxes, Levied for Operational Purposes	7,963,150.12	8,446,862.28	
Property Taxes, Levied for Capital Projects	1,937,107.38	2,033,544.68	
Grants and Contributions Not Restricted to Specific Programs	20,229,312.45	17,530,457.09	
Unrestricted Investment Earnings	17,794.92	44,183.66	
Miscellaneous	346,682.62	477,589.62	
Total Revenues	33,250,955.02	32,284,671.89	
Functions/Program Expenses:			
Instruction	14,403,391.09	14,405,981.10	
Pupil Personnel Services	1,639,746.33	1,567,292.38	
Instructional Media Services	272,381.82	285,682.43	
Instruction and Curriculum Development Services	1,152,477.10	1,191,373.13	
Instructional Staff Training Services	396,001.26	167,393.97	
Instruction Related Technology	180,482.65	171,440.47	
School Board	251,186.62	335,430.09	
General Administration	458,752.53	409,493.26	
School Administration	1,773,200.23	1,747,452.99	
Facilities Acquisition and Construction	814,046.83	551,727.39	
Fiscal Services	407,655.42	393,980.40	
Food Services	1,509,446.24	1,545,695.46	
Central Services	316,895.12	359,325.57	
Pupil Transportation Services	1,972,058.35	1,905,568.99	
Operation of Plant	2,264,974.61	2,541,590.03	
Maintenance of Plant	566,409.90	750,693.79	
Administrative Technology Services	186,400.70	259,063.69	
Community Services	590,366.01	711,490.66	
Unallocated Interest on Long-Term Debt		7,542.40	
Unallocated Depreciation Expense	1,253,403.07	1,277,422.65	
Loss on Disposal of Capital Assets	51,603.70	75,400.69	
Total Functions/Program Expenses	30,460,879.58	30,661,041.54	
Increase in Net Assets	\$ 2,790,075.44	\$ 1,623,630.35	

The largest revenue source is the State of Florida (39.35 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$2,698,855.36, or 15.40 percent, primarily due to an increase in Federal Stimulus funding.

Property taxes collected for operational purposes decreased \$483,712.16, or 5.73 percent due to lower assessed property values and a decrease in millage rates.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$3,384,338.44, while the total fund balance is \$3,610,676.98. Total fund balance increased by \$1,794,850.01 during the fiscal year. The key factor in this increase was the reduction in total expenditures, due primarily to receiving additional Federal stimulus grants that shifted costs to the Special Revenue – Federal Economic Stimulus Fund.

The Special Revenue – Other Fund has total revenues and expenditures of \$4,930,090.77 each, and the Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$2,902,363.90 each. The resources for these special revenue funds were mainly used for instruction. Because grant revenues are not recognized until expenditures are incurred, these funds generally do not accumulate fund balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$3,221,059.86, which is restricted for the acquisition, construction, and maintenance of capital assets. It should be noted that \$367,293 has been encumbered for specific projects. The fund balance decreased by \$119,941.25 in the current fiscal year compared to an increase of \$311,722.23 in the prior fiscal year. The current fiscal year expenditures increased primarily because of bus and equipment purchases.

Proprietary Fund

Unrestricted net assets of the internal service fund total \$190,223.59 at June 30, 2011, an increase of \$95,914.96 over the prior fiscal year. This increase occurred primarily because of lower than expected insurance claims and administrative expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2010-11 fiscal year, the District did not amend its budgets.

Actual revenues are in line with the budget amounts, while actual expenditures are \$1,604,951.38, or 7.52 percent, less than budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the budget by \$2,596,608.66.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$30,818,568.89 (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; construction in progress; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2011, the District had no long-term bonded debt outstanding.

OTHER MATTERS OF SIGNIFICANCE

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

The District began receiving one-time appropriations under the American Recovery and Reinvestment Act of 2009 and Education Jobs Fund. The intent of these funds is to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. Depending on the program, these funds are generally available for only two to three years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Taylor 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 Ashley Valentine, Finance Director, Taylor County District School Board, 318 North Clark Street, Perry, FL 32347.

BASIC FINANCIAL STATEMENTS

TAYLOR COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2011

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,593,497.30	\$ 31,454.00
Investments	66,226.40	67,555.00
Due from Other Agencies	1,183,798.98	
Prepaid Tuition		27,176.00
Inventories	164,358.72	
Capital Assets:		
Nondepreciable Capital Assets	1,163,255.82	
Depreciable Capital Assets, Net	<u>29,655,313.07</u>	
TOTAL ASSETS	<u><u>\$ 40,826,450.29</u></u>	<u><u>\$ 126,185.00</u></u>
LIABILITIES		
Salaries and Benefits Payable	\$ 1,228,278.70	\$
Payroll Deductions and Withholdings	334,921.18	
Accounts Payable	477,996.67	
Construction Contracts Payable - Retainage	6,042.00	
Deferred Revenue	42,936.96	
Estimated Insurance Claims Payable	104,945.00	
Long-Term Liabilities:		
Portion Due Within One Year	295,895.22	
Portion Due After One Year	<u>3,050,182.85</u>	
Total Liabilities	<u>5,541,198.58</u>	
NET ASSETS		
Invested in Capital Assets	30,818,568.89	
Restricted for:		
State Required Carryover Programs	65,291.04	
Capital Projects	3,787,249.92	
Food Service	224,610.40	
Other Purposes		48,124.00
Unrestricted	<u>389,531.46</u>	<u>78,061.00</u>
Total Net Assets	<u>35,285,251.71</u>	<u>126,185.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 40,826,450.29</u></u>	<u><u>\$ 126,185.00</u></u>

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 14,403,391.09	\$ 370,371.80	\$	\$
Pupil Personnel Services	1,639,746.33			
Instructional Media Services	272,381.82			
Instruction and Curriculum Development Services	1,152,477.10			
Instructional Staff Training Services	396,001.26			
Instruction Related Technology	180,482.65			
School Board	251,186.62			
General Administration	458,752.53			
School Administration	1,773,200.23			
Facilities Acquisition and Construction	814,046.83			780,969.83
Fiscal Services	407,655.42			
Food Services	1,509,446.24	346,880.87	1,249,375.09	
Central Services	316,895.12			
Pupil Transportation Services	1,972,058.35	9,309.94		
Operation of Plant	2,264,974.61			
Maintenance of Plant	566,409.90			
Administrative Technology Services	186,400.70			
Community Services	590,366.01			
Unallocated Depreciation Expense*	1,253,403.07			
Loss on Disposal of Capital Assets	51,603.70			
Total Primary Government	\$ 30,460,879.58	\$ 726,562.61	\$ 1,249,375.09	\$ 780,969.83
Component Unit				
Taylor County Education Foundation, Inc.	\$ 1,870.00	\$ 0.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (14,033,019.29)	\$
(1,639,746.33)	
(272,381.82)	
(1,152,477.10)	
(396,001.26)	
(180,482.65)	
(251,186.62)	
(458,752.53)	
(1,773,200.23)	
(33,077.00)	
(407,655.42)	
86,809.72	
(316,895.12)	
(1,962,748.41)	
(2,264,974.61)	
(566,409.90)	
(186,400.70)	
(590,366.01)	
(1,253,403.07)	
(51,603.70)	
(27,703,972.05)	
	(1,870.00)
7,963,150.12	
1,937,107.38	
20,229,312.45	3,882.00
17,794.92	986.00
346,682.62	14.00
30,494,047.49	4,882.00
2,790,075.44	3,012.00
32,495,176.27	123,173.00
\$ 35,285,251.71	\$ 126,185.00

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 3,916,560.44	\$ 217,244.46	\$ 148,271.86
Investments	13,253.45		
Due from Other Funds	706,880.59		
Due from Other Agencies	84,935.06	566,580.51	249,955.22
Inventories	75,606.87		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 4,797,236.41</u></u>	<u><u>\$ 783,824.97</u></u>	<u><u>\$ 398,227.08</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 888,745.01	\$ 173,535.59	\$ 115,771.25
Payroll Deductions and Withholdings	251,144.76	43,708.87	28,762.64
Accounts Payable	46,669.66	62,600.02	7,856.13
Construction Contracts Payable - Retainage			
Due to Other Funds		461,043.53	245,837.06
Deferred Revenue		42,936.96	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,186,559.43</u>	<u>783,824.97</u>	<u>398,227.08</u>
Fund Balances:			
Nonspendable:			
Inventory	75,606.87		
Restricted for:			
State Required Carryover Programs	65,291.04		
Food Service			
Capital Projects			
Total Restricted Fund Balance	<u>65,291.04</u>		
Assigned to Board Approved Budget Items	<u>85,440.63</u>		
Unassigned Fund Balance	<u>3,384,338.44</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,610,676.98</u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,797,236.41</u></u>	<u><u>\$ 783,824.97</u></u>	<u><u>\$ 398,227.08</u></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
\$ 3,181,194.13	\$ 514,274.43	\$ 7,977,545.32
52,972.95		66,226.40
		706,880.59
5,431.06	276,897.13	1,183,798.98
	88,751.85	164,358.72
<u>\$ 3,239,598.14</u>	<u>\$ 879,923.41</u>	<u>\$ 10,098,810.01</u>
\$	\$ 50,226.85	\$ 1,228,278.70
	11,304.91	334,921.18
18,538.28	21,549.19	157,213.28
	6,042.00	6,042.00
		706,880.59
		42,936.96
<u>18,538.28</u>	<u>89,122.95</u>	<u>2,476,272.71</u>
	<u>88,751.85</u>	<u>164,358.72</u>
		65,291.04
	135,858.55	135,858.55
3,221,059.86	566,190.06	3,787,249.92
<u>3,221,059.86</u>	<u>702,048.61</u>	<u>3,988,399.51</u>
		85,440.63
		<u>3,384,338.44</u>
<u>3,221,059.86</u>	<u>790,800.46</u>	<u>7,622,537.30</u>
<u>\$ 3,239,598.14</u>	<u>\$ 879,923.41</u>	<u>\$ 10,098,810.01</u>

TAYLOR COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total Fund Balances - Governmental Funds	\$ 7,622,537.30
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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.	30,818,568.89
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	190,223.59
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Other Postemployment Benefits Payable	\$ 412,805.00	
Compensated Absences Payable	2,933,273.07	(3,346,078.07)

Total Net Assets - Governmental Activities	\$ 35,285,251.71
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The accompanying notes to financial statements are an integral part of this statement.

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TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 62,402.07	\$ 1,580,280.99	\$ 58,106.36
Federal Through State and Local	76,110.22	3,306,049.77	2,844,257.54
State	12,177,159.50	43,760.01	
Local:			
Property Taxes	7,963,150.12		
Charges for Services	379,681.74		
Miscellaneous	342,179.85		
Total Revenues	<u>21,000,683.50</u>	<u>4,930,090.77</u>	<u>2,902,363.90</u>
Expenditures			
Current - Education:			
Instruction	9,991,241.20	2,753,651.28	1,665,268.35
Pupil Personnel Services	1,098,593.43	381,158.02	167,802.79
Instructional Media Services	274,350.07		
Instruction and Curriculum Development Services	652,638.08	238,280.55	269,565.61
Instructional Staff Training Services	26,254.11	115,224.00	256,125.91
Instruction Related Technology	137,505.27	7,808.75	36,420.24
School Board	252,338.97		
General Administration	297,328.19	106,700.19	55,265.38
School Administration	1,624,005.66	150,643.91	11,127.05
Facilities Acquisition and Construction	965.00	3,573.50	
Fiscal Services	392,231.21	17,968.65	
Food Services	9,366.93		47,958.88
Central Services	318,653.17		267.40
Pupil Transportation Services	1,581,561.47	93,388.94	
Operation of Plant	2,225,583.99	44,947.39	
Maintenance of Plant	567,914.04		
Administrative Technology Services	187,490.31		
Community Services	63,925.48	526,813.16	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	2,050.00	1,400.00	
Other Capital Outlay	23,046.72	488,532.43	392,562.29
Total Expenditures	<u>19,727,043.30</u>	<u>4,930,090.77</u>	<u>2,902,363.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,273,640.20</u>		
Other Financing Sources (Uses)			
Transfers In	521,209.81		
Transfers Out			
Total Other Financing Sources (Uses)	<u>521,209.81</u>		
Net Change in Fund Balances	1,794,850.01		
Fund Balances, Beginning	1,815,826.97		
Fund Balances, Ending	<u>\$ 3,610,676.98</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	1,194,600.09	1,700,789.42
	821,015.86	7,421,017.62
		13,041,935.37
1,937,107.38		9,900,257.50
	346,880.87	726,562.61
13,693.21	4.48	355,877.54
<u>1,950,800.59</u>	<u>2,362,501.30</u>	<u>33,146,440.06</u>
		14,410,160.83
		1,647,554.24
		274,350.07
		1,160,484.24
		397,604.02
		181,734.26
		252,338.97
		459,293.76
		1,785,776.62
552,275.61	257,232.72	814,046.83
		410,199.86
	1,458,250.04	1,515,575.85
		318,920.57
		1,674,950.41
		2,270,531.38
		567,914.04
		187,490.31
		590,738.64
40,714.96	793,995.34	838,160.30
956,541.46	10,817.08	1,871,499.98
<u>1,549,532.03</u>	<u>2,520,295.18</u>	<u>31,629,325.18</u>
401,268.56	(157,793.88)	1,517,114.88
		521,209.81
(521,209.81)		(521,209.81)
(521,209.81)		
(119,941.25)	(157,793.88)	1,517,114.88
3,341,001.11	948,594.34	6,105,422.42
<u>\$ 3,221,059.86</u>	<u>\$ 790,800.46</u>	<u>\$ 7,622,537.30</u>

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Governmental Funds **\$ 1,517,114.88**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 1,155,986.76

The loss on the disposal of capital assets during the current fiscal year 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. (51,603.70)

Donated capital assets increase net assets in the statement of activities, but do not provide current financial resources and, therefore, are not reported in the governmental funds. 8,600.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current fiscal year. 180,454.54

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. (116,392.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 95,914.96

Change in Net Assets - Governmental Activities **\$ 2,790,075.44**

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2011**

Governmental Activities -
Internal
Service
Fund

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 615,951.98
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 320,783.39
Estimated Insurance Claims Payable	104,945.00

Total Liabilities	425,728.39
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NET ASSETS

Unrestricted	190,223.59
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TOTAL LIABILITIES AND NET ASSETS	\$ 615,951.98
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The accompanying notes to financial statements are an integral part of this statement.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 2,195,566.87
OPERATING EXPENSES	
Insurance Claims	1,391,216.42
Insurance Premiums	554,929.28
Purchased Services	2,700.00
Administrative Expense	150,806.21
Total Operating Expenses	2,099,651.91
Operating Income	95,914.96
Change in Net Assets	95,914.96
Total Net Assets - Beginning	94,308.63
Total Net Assets - Ending	\$ 190,223.59

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 2,204,433.47
Cash Payments for Insurance Claims	(1,391,216.42)
Cash Payments for Administrative Expense	(150,806.21)
Cash Payments for Purchased Services	(2,700.00)
Cash Payments for Premiums and Other Fees	(344,967.49)
Net Cash Provided by Operating Activities	<u>314,743.35</u>
Net Increase in Cash and Cash Equivalents	314,743.35
Cash and Cash Equivalents, Beginning	<u>301,208.63</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 615,951.98</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 95,914.96
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due From Other Funds	8,866.60
Increase in Accounts Payable	209,961.79
Total Adjustments	<u>218,828.39</u>
Net Cash Provided by Operating Activities	<u><u>\$ 314,743.35</u></u>

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2011**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 191,272.57
LIABILITIES	
Internal Accounts Payable	\$ 191,272.57

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any 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 the application of these criteria, the following component unit is included within the District's reporting entity:

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Taylor County Education Foundation, Inc. (Foundation), which was formed to provide charitable and educational aid to the Board; to promote education; and to encourage research, learning, and dissemination of information. Because the Board appoints all members of the Foundation's Board, and is able to impose its will on the Foundation, the Foundation is considered a component unit. An annual postaudit of the Foundation's financial statements is conducted by an independent certified public accountant, and the audit report is filed in the District's administrative offices.

➤ **Basis of Presentation**

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

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

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.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

The effects of interfund activity have been eliminated from the government-wide financial statements, except for interfund services provided and used.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, 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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- 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.

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

- Internal Service Fund – to account for the District's individual self-insurance programs.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **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 proprietary funds and 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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by the GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

Investments consist of amounts placed 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.

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, 2011, 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 0.78965331 at June 30, 2011. 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.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **Inventories**

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

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

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

➤ **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, 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.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **State Revenue Sources**

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

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

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.

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

➤ **District Property Taxes**

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

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

The Board adopted the 2010 tax levy on September 7, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Taylor County Tax Collector at fiscal year-end but not yet remitted to the District.

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **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

➤ **Budgetary Information**

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 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 issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

➤ **Expenditures Over Appropriations in Individual Funds**

For the fiscal year ended June 30, 2011, expenditures exceed appropriations for the following individual funds:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
School Administration	\$ 1,604,294.44	\$ 1,624,005.66	\$ 19,711.22
Facilities Acquisition and Construction		965.00	965.00
Central Services	231,508.56	318,653.17	87,144.61
Pupil Transportation Services	1,305,036.56	1,581,561.47	276,524.91
Special Revenue - School Food Service Fund:			
Food Services	1,379,744.00	1,458,250.04	78,506.04
Capital Projects - Other Fund:			
Facilities Acquisition and Construction	134,023.87	476,175.61	342,151.74

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 121,091.99
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	66,226.40
Total Investments, Primary Government		<u>\$ 187,318.39</u>

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

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District 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 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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	\$ 856,163.41	\$ 8,600.00	\$	\$ 864,763.41
Land Improvements - Nondepreciable	238,072.41			238,072.41
Construction in Progress	309,550.62	792,345.34	1,041,475.96	60,420.00
Total Capital Assets Not Being Depreciated	1,403,786.44	800,945.34	1,041,475.96	1,163,255.82
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	230,220.80	45,814.96		276,035.76
Buildings and Fixed Equipment	39,759,448.45	1,041,475.96		40,800,924.41
Furniture, Fixtures, and Equipment	5,573,378.71	1,091,195.98	818,179.18	5,846,395.51
Motor Vehicles	3,392,092.98	780,304.00	48,580.00	4,123,816.98
Audio Visual Materials and Computer Software	93,151.57		1,105.00	92,046.57
Total Capital Assets Being Depreciated	49,048,292.51	2,958,790.90	867,864.18	51,139,219.23
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	17,549.17	2,272.98		19,822.15
Buildings and Fixed Equipment	14,521,581.32	695,421.91		15,217,003.23
Furniture, Fixtures, and Equipment	3,754,699.63	547,994.90	766,575.48	3,536,119.05
Motor Vehicles	2,378,493.87	300,270.45	48,580.00	2,630,184.32
Audio Visual Materials and Computer Software	74,169.13	7,713.28	1,105.00	80,777.41
Total Accumulated Depreciation	20,746,493.12	1,553,673.52	816,260.48	21,483,906.16
Total Capital Assets Being Depreciated, Net	28,301,799.39	1,405,117.38	51,603.70	29,655,313.07
Governmental Activities Capital Assets, Net	\$ 29,705,585.83	\$ 2,206,062.72	\$ 1,093,079.66	\$ 30,818,568.89

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 300,270.45
Unallocated	1,253,403.07
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,553,673.52</u></u>

5. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 3,113,727.61	\$ 105,191.81	\$ 285,646.35	\$ 2,933,273.07	\$ 295,895.22
Other Postemployment Benefits Payable	296,413.00	250,359.00	133,967.00	412,805.00	
Total Governmental Activities	<u><u>\$ 3,410,140.61</u></u>	<u><u>\$ 355,550.81</u></u>	<u><u>\$ 419,613.35</u></u>	<u><u>\$ 3,346,078.07</u></u>	<u><u>\$ 295,895.22</u></u>

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

6. 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	\$ 706,880.59	\$
Special Revenue:		
Other		461,043.53
Federal Economic Stimulus		245,837.06
Total	<u><u>\$ 706,880.59</u></u>	<u><u>\$ 706,880.59</u></u>

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 521,209.81	\$
Capital Projects:		
Local Capital Improvement		521,209.81
Total	<u>\$ 521,209.81</u>	<u>\$521,209.81</u>

The transfer to the General Fund was made to move restricted revenues to reimburse maintenance and property and casualty insurance premium expenditures.

7. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Finance Director and Board approval and not included in other categories.

➤ **Unassigned**

The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

8. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 7,287,791.00
Categorical Educational Program - Class Size Reduction	2,904,044.00
Workforce Development Program	1,252,795.00
Classrooms First	392,229.00
Gross Receipts Tax (Public Education Capital Outlay)	264,248.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	124,492.83
School Recognition	49,625.00
Food Service Supplement	29,507.00
Mobile Home License Tax	13,375.40
Discretionary Lottery Funds	9,668.00
Miscellaneous	714,160.14
Total	<u><u>\$ 13,041,935.37</u></u>

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

9. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.166	\$ 6,818,128.91
Basic Discretionary Local Effort	0.748	987,216.50
Critical Operating Needs	0.250	329,952.04
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,979,712.22
Total	<u>7.664</u>	<u>\$ 10,115,009.67</u>

10. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the 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, 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.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled \$1,629,379.16, \$1,571,820.80, and \$1,627,413.80, respectively, which were equal to the required contributions for each fiscal year. There were 40 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$121,221.32.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

11. 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 and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The 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 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 2010-11 fiscal year, 38 retirees received other postemployment benefits. The District provided required contributions of \$133,967 toward the annual OPEB cost, net of retiree contributions totaling \$208,290, which represents 2.27 percent of covered payroll.

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

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Normal Cost (service cost for one year)	\$ 98,762
Amortization of Unfunded Actuarial Accrued Liability	<u>156,615</u>
Annual Required Contribution	255,377
Interest on Net OPEB Obligation	11,115
Adjustment to Annual Required Contribution	<u>(16,133)</u>
Annual OPEB Cost (Expense)	250,359
Contribution Toward the OPEB Cost	<u>(133,967)</u>
Increase in Net OPEB Obligation	116,392
Net OPEB Obligation, Beginning of Year	<u>296,413</u>
Net OPEB Obligation, End of Year	<u><u>\$ 412,805</u></u>

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, 2011, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 308,135	50.78%	\$ 151,660
2009-10	317,064	54.35%	296,413
2010-11	250,359	53.51%	412,805

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$2,825,064, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,825,064 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,189,143, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.74 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.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District's 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. This rate includes a general price inflation rate of 3 percent. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent beginning October 1, 2010, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after October 1, 2020. 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, 2011, was 18 years.

12. SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

Major Funds					
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 85,411	\$ 119,825	\$ 29,447	\$ 367,293	\$ 130,967	\$ 732,943

13. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Taylor County District School Board has established self-insurance programs for its employee health and hospitalization coverage. For its other insurance coverage, the Board is a member of the Florida School Board Insurance Trust (Trust) 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 Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. If a member district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to the member district. The Board of Directors for the Trust is mainly composed of board members and a district-level business officer selected from participating districts. The District reports financial transactions related to these insurance coverages in the General Fund.

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

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

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2009-10	\$ 104,945	\$ 1,566,767	\$ (1,566,767)	\$ 104,945
2010-11	104,945	1,391,216	(1,391,216)	104,945

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 62,402.07	\$ 12,402.07
Federal Through State and Local	75,000.00	75,000.00	76,110.22	1,110.22
State	12,325,241.00	12,325,241.00	12,177,159.50	(148,081.50)
Local:				
Property Taxes	8,028,874.00	8,028,874.00	7,963,150.12	(65,723.88)
Charges for Services			379,681.74	379,681.74
Miscellaneous	344,862.00	344,862.00	342,179.85	(2,682.15)
Total Revenues	20,823,977.00	20,823,977.00	21,000,683.50	176,706.50
Expenditures				
Current - Education:				
Instruction	10,973,797.51	10,974,118.44	9,991,241.20	982,877.24
Pupil Personnel Services	1,121,482.80	1,121,482.80	1,098,593.43	22,889.37
Instructional Media Services	293,347.25	293,347.25	274,350.07	18,997.18
Instruction and Curriculum Development Services	682,980.98	682,980.98	652,638.08	30,342.90
Instructional Staff Training Services	32,804.26	32,804.26	26,254.11	6,550.15
Instruction Related Technology	139,845.08	139,845.08	137,505.27	2,339.81
School Board	328,017.07	328,017.07	252,338.97	75,678.10
General Administration	330,333.36	330,333.36	297,328.19	33,005.17
School Administration	1,604,294.44	1,604,294.44	1,624,005.66	(19,711.22)
Facilities Acquisition and Construction			965.00	(965.00)
Fiscal Services	411,872.80	411,872.80	392,231.21	19,641.59
Food Services	91,356.92	91,356.92	9,366.93	81,989.99
Central Services	231,508.56	231,508.56	318,653.17	(87,144.61)
Pupil Transportation Services	1,307,434.56	1,305,036.56	1,581,561.47	(276,524.91)
Operation of Plant	2,840,016.19	2,818,656.54	2,225,583.99	593,072.55
Maintenance of Plant	661,591.77	659,931.77	567,914.04	92,017.73
Administrative Technology Services	206,129.10	206,129.10	187,490.31	18,638.79
Community Services	65,182.03	65,182.03	63,925.48	1,256.55
Fixed Capital Outlay:				
Facilities Acquisition and Construction		2,050.00	2,050.00	
Other Capital Outlay		23,046.72	23,046.72	
Debt Service:				
Principal	10,000.00	10,000.00		10,000.00
Total Expenditures	21,331,994.68	21,331,994.68	19,727,043.30	1,604,951.38
Excess (Deficiency) of Revenues Over Expenditures	(508,017.68)	(508,017.68)	1,273,640.20	1,781,657.88
Other Financing Sources (Uses)				
Transfers In	864,800.00	864,800.00	521,209.81	(343,590.19)
Transfers Out				
Total Other Financing Sources (Uses)	864,800.00	864,800.00	521,209.81	(343,590.19)
Net Change in Fund Balances	356,782.32	356,782.32	1,794,850.01	1,438,067.69
Fund Balances, Beginning	657,286.00	657,286.00	1,815,826.97	1,158,540.97
Fund Balances, Ending	\$ 1,014,068.32	\$ 1,014,068.32	\$ 3,610,676.98	\$ 2,596,608.66

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,792,494.20 3,507,523.80	\$ 1,792,494.20 3,507,523.80	\$ 1,580,280.99 3,306,049.77 43,760.01	\$ (212,213.21) (201,474.03) 43,760.01	\$ 2,457,869.00	\$ 2,457,869.00	\$ 58,106.36 2,844,257.54	\$ 58,106.36 386,388.54
5,300,018.00	5,300,018.00	4,930,090.77	(369,927.23)	2,457,869.00	2,457,869.00	2,902,363.90	444,494.90
3,181,637.97 510,044.13	2,753,651.28 507,104.63	2,753,651.28 381,158.02	125,946.61	1,530,024.43 184,525.00	1,665,268.35 167,802.79	1,665,268.35 167,802.79	
285,221.81 139,952.87 14,306.00	275,158.64 139,952.87 7,808.75	238,280.55 115,224.00 7,808.75	36,878.09 24,728.87	182,247.29 383,217.14 14,307.33	269,565.61 256,125.91 36,420.24	269,565.61 256,125.91 36,420.24	
137,999.93	106,700.19 150,643.91 3,573.50 17,968.65	106,700.19 150,643.91 3,573.50 17,968.65		54,175.77 56,937.04	55,265.38 11,127.05	55,265.38 11,127.05	
27,600.00 8,936.88 110,229.45 115,062.64	27,600.00 8,936.88 110,229.45 115,062.64	27,600.00 8,936.88 93,388.94 44,947.39	27,600.00 8,936.88 16,840.51 70,115.25	50,635.00 1,800.00	47,958.88 267.40	47,958.88 267.40	
642,135.51	642,135.51 1,400.00 488,532.43	526,813.16 1,400.00 488,532.43	115,322.35		392,562.29	392,562.29	
5,173,127.19	5,356,459.33	4,930,090.77	426,368.56	2,457,869.00	2,902,363.90	2,902,363.90	
126,890.81	(56,441.33)		56,441.33		(444,494.90)		
(126,890.81)	(126,890.81)		126,890.81				
(126,890.81)	(126,890.81)		126,890.81				
					(444,494.90)		444,494.90
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (444,494.90)	\$ 0.00	\$ 444,494.90

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2007	\$ 0	\$ 3,248,975	\$ 3,248,975	0.00%	\$ 11,110,240	29.24%
October 1, 2010	0	2,825,064	2,825,064	0.00%	9,189,143	30.74%

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

1. BUDGETARY BASIS OF ACCOUNTING

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

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2010, unfunded actuarial accrued liability of \$2,825,064 was significantly lower than the October 1, 2007, liability of \$3,248,975 as a result of benefit changes and other changes in the liability and cost as discussed below:

- **Population Changes:** The number of retirees currently receiving postemployment health benefits decreased from 49 in the previous valuation to 38 in the current valuation. At the same time, the number of active employees eligible for future postemployment benefits decreased from 294 to 248. These population changes contributed to a decrease in cost and liability.
- **Initial Cost of Coverage:** The total cost of coverage increased from \$401 per employee per month (as expected for the October 1, 2007, valuation) to \$479 per employee per month for the 2010-11 fiscal year. This is lower than the projected \$517 per employee per month. This change also decreased the cost and liability.
- **Retiree Medical Coverage Assumptions:** The actuary revised the assumed rate of coverage acceptance and continuation. In the previous valuation, they had assumed that 50 percent of retiring employees under the age of 65 would elect to continue medical coverage through the District's plan. Data collected for the current valuation suggests that a smaller proportion of retirees have been making that choice in recent years, and consequently, the actuary is assuming that 40 percent of employees will elect to keep coverage upon retirement. This change in assumption also decreased the cost and liability.
- **Medical Trend Assumption:** The actuary made revisions in the assumed trend of medical and prescription cost increases. In the original valuation, they assumed the initial trends for costs and premiums to be 9 percent for the first year followed by a 9 percent trend for the October 1, 2009, valuation, followed by an 8.5 percent increase for the October 1, 2010, valuation, with subsequent trend rates decreasing 0.5 percent each year thereafter to an ultimate rate of 5 percent. The actuary revised trend rates for costs and premiums charged to retirees for the October 1, 2011, valuation to 9 percent. The actuary then followed a similar pattern as was used previously: 8.5 percent for costs and premiums for the October 1, 2012, valuation and decreases by 0.5 percent each subsequent year until reaching the ultimate value of 5 percent. This change in assumption modestly increased the cost and liability.
- **Demographic Assumptions:** The actuary also revised certain demographic assumptions to reflect changes made by FRS for its July 1, 2009, actuarial valuation. This change in assumption contributed to an increase in the District's cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 278,518.22
National School Lunch Program	10.555	300	783,298.24
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	<u>84,695.00</u>
Total Child Nutrition Cluster			<u>1,146,511.46</u>
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	17,697.00
Fresh Fruit and Vegetable Program	10.582	None	<u>27,527.19</u>
Total United States Department of Agriculture			<u>1,191,735.65</u>
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	<u>523,823.73</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	679,716.15
Special Education - Preschool Grants	84.173	267	35,695.39
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	358,738.80
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	9,336.37
Leon County District School Board:			
Special Education - Preschool Grants	84.027	None	<u>24,606.26</u>
Total Special Education Cluster			<u>1,108,092.97</u>
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,222,781.43
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	<u>219,427.01</u>
Total Title I, Part A Cluster			<u>1,442,208.44</u>
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121, 122	502,790.57
ARRA - Education Technology State Grants, Recovery Act	84.386	122	<u>741,544.36</u>
Total Educational Technology State Grants Cluster			<u>1,244,334.93</u>
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	906,088.89
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	<u>30,973.00</u>
Total State Fiscal Stabilization Fund Cluster			<u>937,061.89</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	47,386.20
Career and Technical Education - Basic Grants to States	84.048	151, 161	175,369.35
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	08-202-VH308	23,659.01
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	3,383.50
Even Start - State Educational Agencies	84.213	219	194,407.81
Twenty-First Century Community Learning Centers	84.287	244	6,226.14
Rural Education	84.358	110	82,563.39
Improving Teacher Quality State Grants	84.367	224	295,228.31
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	7,414.23
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	12,708.88
Education Jobs Fund	84.410	541	<u>540,329.00</u>
Total Indirect			<u>6,120,374.05</u>
Total United States Department of Education			<u>6,644,197.78</u>

TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Health and Human Services:			
Direct:			
Head Start Cluster:			
Head Start	93.600 (3)	N/A	1,056,457.26
ARRA - Head Start	93.708 (4)	N/A	58,106.36
Total Direct			<u>1,114,563.62</u>
Indirect:			
Early Learning Coalition of the Big Bend Region, Inc.			
Child Care and Development	93.575	None	52,745.50
Total United States Department of Health and Human Services			<u>1,167,309.12</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	62,402.07
Total Expenditures of Federal Awards			<u>\$ 9,065,644.62</u>

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.

(3) Head Start. Expenditures include \$584,566.76 for grant number/program year 04CH0506/17 and \$471,890.50 for grant number/program year 04CH0506/18.

(4) Head Start. Expenditures include \$58,106.36 for grant number/program year 04SE0506/01.



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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 Taylor County District School Board as of and for the fiscal year ended June 30, 2011, 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 Taylor County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1, 2, and 3, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
March 9, 2012



DAVID W. MARTIN, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 Taylor 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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing

our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,



David W. Martin, CPA
March 9, 2012

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are
not considered to be 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, 84.392 - ARRA); Federal Pell Grant Program (CFDA No. 84.063); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 - ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); Education Jobs Fund (CFDA 84.410); and Head Start Cluster (CFDA Nos. 93.600 and 93.708 - ARRA)

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 1: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

The District maintained ten bank accounts, and personnel manually recorded the accounts' transactions in a cash book to monitor cash needs and periodically entered the transactions in the general ledger. However, we noted the following:

- While District personnel attempted to reconcile the June 2011 bank account balances to the cash book, the cash book was not maintained by reporting fund. Without reconciling bank account balances by individual reporting funds, the District may not accurately identify the cash balances by funding source.
- District personnel indicated that individual entries in the cash book were compared monthly to the general ledger transactions; however, District records did not document comparisons of cash book balances to cash balances in the general ledger, differences were not specifically identified and explained, and reconciliations did not contain evidence of supervisory review and approval. As such, the usefulness of the cash book for monitoring cash needs was limited.
- Untimely journal entries, as discussed in Finding No. 4, contributed to the District's inability to promptly reconcile bank account balances and general ledger balances.

At June 30, 2011, cash book balances were approximately \$1,336,000 less than the total cash balances initially reported on the financial statements and, as noted below in Financial Statement Finding No. 2, the total cash balances were underreported by approximately \$1,537,000. Through our extended audit procedures, we determined that most of this discrepancy was due to bank account reconciliation errors, such as overstating outstanding checks, and the District accepted audit adjustments to properly report cash on the financial statements.

Because cash accounts were not properly reconciled to the general ledger, financial information obtained from the general ledger throughout the year was incomplete and may have impaired the ability of District personnel relying on this financial information to effectively monitor the District's financial position. Timely recording of entries into the general ledger and prompt reconciliations of the bank account balances to general ledger accounts would provide for timely detection and correction of unrecorded or improperly recorded transactions and would ensure accuracy of the financial records for monitoring District operations throughout the year. Similar findings were noted in previous audit reports, most recently in our report No. 2011-161.

Recommendation: The District should establish procedures to ensure cash transactions are timely recorded in the general ledger, and bank balances are reconciled to general ledger accounts.

Finding No. 2: Financial Reporting

Our review of the District's 2010-11 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. For example:

Fund Financial Statements. As discussed above in Financial Statement Finding No. 1, the District did not properly reconcile its bank account balances to the general ledger control accounts. Through our extended audit procedures, we identified net understatements totaling approximately \$1,537,000 of cash for the General Fund, special revenue funds, and Capital Projects – Local Capital Improvement (LCI) Fund, as follows:

- In the General Fund, the District understated cash by approximately \$1,119,000, understated salaries and benefits payable by approximately \$889,000, understated payroll deductions and withholdings liabilities by approximately \$251,000, and net overstatements for other accounts totaled approximately \$21,000.
- In the Special Revenue – Other Fund, the District understated cash by approximately \$217,000, understated salaries and benefits payable by approximately \$173,000, and understated payroll deductions and withholdings liabilities by approximately \$44,000.
- In the Special Revenue – Federal Economic Stimulus Fund, the District understated cash by approximately \$145,000, understated salaries and benefits payable by approximately \$116,000, and understated payroll deductions and withholdings liabilities by approximately \$29,000.
- In the Special Revenue – Food Service Fund, the District understated cash by approximately \$61,000, understated salaries and benefits payable by approximately \$50,000, and understated payroll deductions and withholdings liabilities by approximately \$11,000.
- In the LCI Fund, the District overstated cash by approximately \$5,000, overstated investments by approximately \$11,000, and overstated local revenues by approximately \$16,000.

The above errors occurred primarily because the District mistakenly identified certain amounts as outstanding checks on bank account reconciliations that should have been reported as liabilities on the financial statements. Such reporting errors may cause financial statement users to misunderstand the District's year-end account balances.

Notes to Financial Statements. Generally accepted accounting principles require that the basic financial statements include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to the District's activity. However, the notes mistakenly omitted a description of \$732,943 of other significant commitments and encumbrances. When required disclosures such as these are omitted, financial statement users may not fully understand the District's financial position.

We extended our procedures to determine the revisions necessary to properly report these account balances and note disclosures and District personnel accepted these revisions. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. Similar findings were noted in previous audit reports, most recently in our report No. 2011-161.

Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances and note disclosures are properly reported.

Finding No. 3: Budgetary Controls and Financial Monitoring

The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized. Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted by function and object if the Board approves the expenditure and amends the budget within timelines established by the policies; however, the Board did not have a policy that allowed expenditures to temporarily exceed the amount budgeted within a fund.

State Board of Education (SBE) Rule 6A-1.008, Florida Administrative Code (FAC), requires that monthly financial statements be prepared and submitted to the Board. Board Policy 9.20, *Financial Records*, provides that with the assistance of the Finance Director, the Superintendent shall submit to the Board each month a financial statement in a form approved by the Board, and shall include a cumulative report to date of all receipts and expenditures for the fiscal year.

The original budget was prepared and approved in accordance with applicable laws and rules; however, for the 2010-11 fiscal year, District records indicated that the Board did not approve any budget amendments for any funds. Also, at June 30, 2011, the District overexpended functions in the General, Capital Projects – Other, and Special Revenue – Food Service Funds by a total of approximately \$384,000 for four functions, \$79,000 for one function, and \$342,000 for one function, respectively.

In addition, contrary to SBE Rule 6A-1.008, FAC, District records did not evidence that the Board was provided monthly financial statements for any of the months during the 2010-11 fiscal year. While the total of the General Fund's unassigned and assigned fund balances at June 30, 2011, was above the average of most school districts, without monthly financial statements, Board members may have a limited understanding of the District's financial status, potentially leading to instances of financial mismanagement and negatively impacting the Board's decision making process. A similar finding was noted in previous audit reports, most recently in our report No. 2011-161.

Recommendation: **The District should enhance its budgetary procedures to ensure that expenditures are limited to budgeted amounts, and monthly financial statements are provided to the Board, as required by State law and rules.**

ADDITIONAL MATTERS

Finding No. 4: Journal Entries

Accounting (journal) entries are used as necessary to make adjustments to the general ledger balances for asset, liability, revenue, expenditure, and expense accounts, and occasionally entries are necessary to correct beginning fund balance for prior year errors. An administrative assistant and the Director of Finance prepared journal entries to adjust the financial records; however, District personnel did not timely record cash transactions to the general ledger. For example, the July 1, 2010, cash balances were not recorded in the general ledger until June 2011, or approximately 12 months after the beginning cash balance date. Also, District records did not evidence independent review and approval of any entries. In addition, as discussed in Financial Statement Finding No. 1, the bank account reconciliation process did not provide adequate compensating controls to detect and correct journal entry errors if errors were to occur.

Our tests did not disclose any journal entries for unauthorized purposes; however, such tests cannot substitute for management's responsibility to establish effective internal controls. Without appropriate controls over journal entries, there is an increased risk that errors or fraud could occur and not be timely detected. A similar finding was noted in our report No. 2011-161.

Recommendation: The District should establish procedures to ensure that journal entries are independently reviewed and approved.

Finding No. 5: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),¹ required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to 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 (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included 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 SBE rules and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures generally based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), except that District records did not sufficiently evidence that instructional personnel and school administrators were evaluated based primarily on student performance. The performance appraisal forms for instructional personnel included a student growth category and instructional personnel had to receive an effective evaluation in the category to be rated effective overall. However, District records did not sufficiently correlate the results from the FCAT or other student achievement tests to the performance assessments of instructional personnel. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Also, school administrator performance assessments contained student scores as a component of the assessments, but District management indicated that the school administrators were all evaluated effectively, regardless of the student achievement results.

District personnel indicated that they delayed revisions to performance assessments until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments and shortcomings. A similar finding was noted in our report No. 2011-161.

¹ Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

Recommendation: The District should document that performance assessments of instructional personnel and school administrators consider student performance as required by law.

Finding No. 6: 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 (2010),² provided 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 (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule was subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. Also, Board Policy 7.27 provides that salary schedules shall include provisions for differentiated pay in accordance with Florida Statutes and may include provisions for performance pay. However, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic coaches and band directors. However, neither the salary schedule nor the union contract evidenced consideration of differentiated pay based on school demographics, critical shortage areas, or level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

² Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

- **School-based Administrators.** The school-based administrators salary schedule evidenced consideration of differentiated pay for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel and the instructional personnel union contract indicated that a committee, comprised of three members of the instructional union and three District administrators, would assist with incorporating performance and differentiated pay measures into the salary schedule. 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 correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-161.

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

Finding No. 7: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic funds transfers (EFTs) for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment consistent with the provisions of Chapter 668, Florida Statutes. Pursuant to Section 668.006, Florida Statutes, the District is responsible for implementing control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. In addition, SBE Rule 6A-1.0012, FAC, authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. Also, SBE Rule 6A-1.0012, FAC, requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

The District established a bank agreement signed by the Board chair and superintendent to authorize EFTs. During the 2010-11 fiscal year, the District regularly made electronic disbursements to the bank for direct deposit of employee pay and other payroll related activity, such as annuity and flexible benefits. While the District used informal processes including oral instructions, e-mail directions, and other reviews to monitor and control electronic transmission of funds, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, contrary to Section 1010.11, Florida Statutes. Further, the bank agreement did not contain the signatures of the employees authorized to initiate and authorize EFTs, nor did employees execute signed confirmations to authenticate the EFTs, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that controls are in place, such as separation of initiator and authorizers of EFTs and management review of EFT transactions, to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without properly established policies and

procedures governing EFT activities, there is an increased risk that errors or fraud could occur and not be timely detected.

The Board should adopt formal written policies and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules.

Finding No. 8: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriations 9 and 109, 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 class and the withdrawal date or end-of-class date, whichever is sooner.

For the 2010-11 fiscal year, the District reported to FDOE 20,949 adult general education contact hours for 283 students enrolled in 16 classes. Our tests of 425 hours reported for 10 students enrolled in 7 adult general education classes held in fall 2010 and spring 2011 disclosed 58 overreported hours for 4 students enrolled in 3 classes and 328 underreported hours for 8 students enrolled in 4 classes, or net underreported hours of 270 hours. District personnel indicated that these reporting errors occurred due to data entry errors, such as inputting incorrect student enrollment and exit dates and the misapplication of FDOE recommended procedures for reporting. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that the data be submitted correctly.

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

Finding No. 9: Information Technology – Written Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. However, because of staffing constraints, the District lacked written policies and procedures for the following IT functions:

- Administering vendor-supplied identification codes (IDs), user IDs, administrative passwords, guest accounts, and security devices (such as firewalls and routers).
- Defining network administration responsibilities.
- Prohibiting administrator rights on the workstations of end users.
- Defining access privileges and responsibilities to end-user support staff.
- Resetting user passwords, including positive identification of the user.
- Removing confidential information from consultant and vendor equipment.

- Defining termination procedures, including timely notification of terminations and reassignments and revoking the access privileges of former or transferred employees, consultants, and vendors.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in previous audit reports, most recently in our report No. 2011-161.

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

Finding No. 10: Information Technology – Security Controls – Data Loss Prevention

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

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

Finding No. 11: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resources.

Recommendation: The District should develop a written IT security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2011-161.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011*

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

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2007-161 (7)	Head Start (CFDA No. 93.600) - Cash Management and Reporting	District procedures were not adequate to ensure that the status of Federal Head Start cash was accurately reported and in agreement with District records.	Corrected.	District has contacted the grantor and received some assistance in reconciling cash balances.
2008-151 (2)				
2009-171 (5)				
2010-170 (1)				
2011-161 (5)				
2008-151 (5)	Head Start (CFDA No. 93.600) - Procurement - Contract Administration	Enhancements were needed in District procedures to ensure expenditures with Federal moneys are made pursuant to contracts that include the required contractual provisions.	Corrected.	The District has enhanced procedures relating to required contractual provisions.
2007-161 (9)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Head Start (CFDA No. 93.600) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Enhancements were needed in District procedures for maintaining documentation to support the allocation of salaries and benefits to the Head Start program for employees who worked on single and multiple cost objectives. Additionally, the District paid the salary and benefits of a technology specialist resulting in questioned costs of \$55,119.68 during the 2008-09 fiscal year.	Partially corrected.	Questioned costs pending final determination by agency.
2008-151 (4)				
2009-171 (6)				
2010-170 (5)				
2011-161 (6)				

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011**

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
2008-151 (9)	Adult Education - Basic Grants to States (CFDA No. 84.002); Title I Grants to	The District needs to improve its monitoring of Federal expenditures to ensure that amounts recorded in the general ledger are appropriately reported to FDOE, the required cash advance reconciliation is timely completed, and that the District resolves underreported prior year expenditures for closed grants, which represent \$516,142.15 of potentially uncollectible receivables, with FDOE.	Corrected.	The District received final determination and made appropriate adjustments as required.
2009-171 (2)	Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA			
2010-170 (3)	Nos. 84.027 and 84.173); Career and Technical Education - Basic Grants to			
2011-161 (4)	States (CFDA No. 84.048); Even Start - State Educational Agencies (CFDA No. 84.213); Twenty-First Century Community Learning Centers (CFDA No. 84.287); State Grants for Innovative Programs (CFDA No. 84.298); Education Technology State Grants (CFDA No. 84.318); Reading First State Grants (CFDA No. 84.357); Rural Education (CFDA No. 84.358); and Improving Teacher Quality State Grants (CFDA No. 84.367) - Reporting			
2010-170 (2)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); State Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397) and Education Technology State Grants (CFDA No. 84.318) - Cash Management	District procedures for cash management of Federal programs provided by the Florida Department of Education (FDOE) needed improvement. Deficit cash balances were maintained throughout the year necessitating the use of non-Federal resources to fund Federal programs.	Corrected.	District has enhanced cash management
2011-161 (3)				
2010-170 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking - Supplement Not Supplant	The District used Title I program funds to reduce (supplant) the amount of other moneys used to operate the program, contrary to Federal regulations, resulting in questioned costs of \$85,109.40.	Partially corrected.	Questioned costs pending final determination by agency.

**TAYLOR COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011**

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

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2010-170 (6) 2011-161 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Matching, Level of Effort, Earmarking - Targeting Funds for Supplemental Educational Services	Improvements were needed in the District's administration of supplemental educational services and transportation choice options for students attending schools identified as in need of improvement. The unexpended portions of the 2008-09 and 2009-10 fiscal year earmarks of \$72,147.63 and \$152,525.80, respectively, represent questioned costs.	Partially corrected.	Questioned costs pending final determination by agency.
2010-170 (9)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Education Technology State Grants (CFDA No. 84.318) - Procurement - Contract Administration	Four contracts for Child Nutrition program services, three contracts for Education Technology program services, and two contracts for Title I program services lacked certain contractual provisions, contrary to Federal regulations.	Corrected.	The District has enhanced procedures relating to required contractual provisions.
2011-161 (2)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the maintenance of effort requirements for the Title I program were met, resulting in questioned costs of \$79,634.02.	Partially corrected.	Questioned costs pending final determination by agency.
2011-161 (7)	Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389) - Procurement - Contract Administration	The District paid \$100,166.32 for projector system installation services without following the competitive bidding process prescribed by Federal regulations and the State Board of Education Rules.	Corrected.	The District has enhanced procedures relating to the competitive bidding process.
2011-161 (8)	Special Education - Grants to States, Recovery Act (CFDA No. 84.391) - Reporting	District procedures for reporting Special Education - Grants to States, Recovery Act expenditures needed improvement.	Corrected.	The District has enhanced procedures for reporting Recovery Act expenditures.

EXHIBIT A

MANAGEMENT'S RESPONSE



THE DISTRICT SCHOOL BOARD OF TAYLOR COUNTY

318 North Clark Street
Perry, Florida 32347
(850) 838-2500 – Telephone
(850) 838-2501 – Fax
Taylor.k12.fl.us
Paul Dyal, Superintendent

March 5, 2012

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

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ending June 30, 2011 have been reviewed by the appropriate district staff. Our response to the findings and recommendations are listed below.

Finding No. 1: Bank Account Reconciliations

We agree the District should establish procedures to ensure cash transactions are timely recorded in the general ledger, and bank balances are reconciled to general ledger accounts. The District has already implemented these procedures for the current year; we are currently reconciling bank balances to the general ledger on a monthly basis.

Finding No. 2: Financial Reporting

We agree the District should improve its financial reporting procedures to ensure that financial statement account balances and note disclosures are properly reported. The District will improve its procedures to ensure the financial statement note disclosures are properly reported at year end.

Finding No. 3: Budgetary Controls and Financial Monitoring

We agree the District should enhance its budgetary procedures to ensure that expenditures are limited to budgeted amounts, and monthly financial statements are provided to the Board, as required by State law and rules. The District has corrected this issue in the current year, financial statements and budget amendments are submitted to the board on a monthly basis.

School Board Members

Danny Glover Jr.
Residence Area One

Brenda H. Carlton
Residence Area Two

Darrell Whiddon
Residence Area Three

Danny Lundy
Residence Area Four

Kenneth R. Dennis
Residence Area Five

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

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 4: Journal Entries

We agree the District should establish procedures to ensure that journal entries are independently reviewed and approved. The District has corrected this issue in the current year; all journal entries are reviewed and approved on a weekly basis by the Finance Director, with a printout of approval filed monthly with the accompanying journal entries.

Finding No. 5: Performance Assessments

The District will enhance its procedures to ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance and maintain records evidencing this.

Finding No. 6: Compensation and Salary Schedules

The Board will adopt formal policies and procedures for ensuring that differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 7: Electronic Funds Transfers

We agree the Board should adopt formal written policies and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules. We are working to implement these procedures and will have the Board formally adopt policies.

Finding No. 8: Adult General Education Courses

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

Finding No. 9: Information Technology – Written Policies and Procedures

While the District does have IT policies and procedures dealing with most of the issues in these findings, those policies and procedures are not currently codified in a written manual due to staffing limitations and the labor required.

The District has begun work on its IT policies and procedures manual, but the manual is not yet complete and has not been submitted to the school board for approval. We anticipate completion and approval prior to the end of the current fiscal year.

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 10: Information Technology – Security Controls – Data Loss Prevention

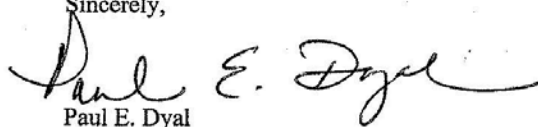
We agree the District should improve security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources. While the District currently has controls in place for some areas, we will continue to improve those areas needed.

Finding No. 11: Information Technology – Security Incident Response Plan

We agree the District should develop a written security incident response plan to provide assurance that the District will respond in an appropriate and timely manner to events that may jeopardized the confidentiality of data and IT resources. The District does not currently have a formal Security Incident Response Plan. We have begun the process of creating one, and anticipate completion and approval prior to the end of the current fiscal year.

We wish to commend Ted Waller and his staff; the audit was conducted with much courtesy and professionalism. We value their knowledge and expertise relating to school business.

Sincerely,



Paul E. Dyal
Superintendent, Taylor County Schools