

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2012



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Darren Driver	1
Henry J. McCray, Chair	2
Timothy L. Pearson	3
Terry Fillyaw, Vice Chair	4
Reba Trawick	5

Thomas H. Lashley, 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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 2: The District's information technology (IT) security incident response plan needed improvement.

Finding No. 3: Certain IT security controls related to data loss prevention needed improvement.

Finding No. 4: The District could enhance its IT disaster recovery plan.

Finding No. 5: The District lacked written policies and procedures for certain IT functions.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Even Start 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 except for the Even Start program. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 1: District records did not evidence that the Even Start program matching requirements were met, resulting in \$157,799 of questioned costs.

Federal Awards Finding No. 2: District procedures were insufficient to ensure that the meal status of students was accurately assessed and documented in accordance with Federal regulations for Child Nutrition Cluster programs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Lafayette 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. 2012-109.

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, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lafayette County District School Board, as of and for the fiscal year ended June 30, 2012, 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 59 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Lafayette County District School Board as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Lafayette 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 (OMB) 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
January 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Lafayette 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, 2012. 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 immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- The assets of the District exceeded its liabilities at the close of the 2011-12 fiscal year by \$12,230,537.
- The District's total net assets decreased by \$620,757. This change was attributable to the decrease in grants and contributions not restricted to specific programs.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$1,300,467, a decrease of \$136,795 in comparison with the prior fiscal year.
- During the 2011-12 fiscal year, General Fund expenditures exceeded revenues by \$202,092. During the 2010-11 fiscal year, General Fund expenditures exceeded revenues by \$346,354.
- The District's total debt decreased by \$15,000 during the 2011-12 fiscal year.

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.

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

Fund Financial Statements

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year	
	Governmental	
	Activities	
	<u>6-30-12</u>	<u>6-30-11</u>
Current and Other Assets	\$ 1,385,252.96	\$ 1,550,000.78
Capital Assets	<u>12,333,748.34</u>	<u>12,668,591.95</u>
Total Assets	<u>13,719,001.30</u>	<u>14,218,592.73</u>
Long-Term Liabilities	1,403,677.81	1,254,559.27
Other Liabilities	<u>84,786.15</u>	<u>112,739.04</u>
Total Liabilities	<u>1,488,463.96</u>	<u>1,367,298.31</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	12,153,748.34	12,473,591.95
Restricted	451,121.04	428,211.40
Unrestricted Deficit	<u>(374,332.04)</u>	<u>(50,508.93)</u>
Total Net Assets	<u>\$ 12,230,537.34</u>	<u>\$ 12,851,294.42</u>

The largest portion of the District’s net assets (99.37 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-12	6-30-11
Program Revenues:		
Charges for Services	\$ 112,151.47	\$ 131,717.92
Operating Grants and Contributions	371,107.31	379,509.02
Capital Grants and Contributions	37,596.98	103,831.82
General Revenues:		
Property Taxes, Levied for Operational Purposes	1,518,695.20	1,430,118.29
Property Taxes, Levied for Capital Projects	362,718.37	335,623.30
Grants and Contributions Not Restricted to Specific Programs	7,292,346.75	8,308,325.44
Unrestricted Investment Earnings	2,823.85	3,123.49
Miscellaneous	151,611.16	85,678.55
Total Revenues	9,849,051.09	10,777,927.83
Functions/Program Expenses:		
Instruction	5,087,718.31	5,657,598.75
Pupil Personnel Services	486,289.65	511,704.46
Instructional Media Services	126,300.73	140,326.96
Instruction and Curriculum Development Services	464,194.20	581,122.08
Instructional Staff Training Services	180,556.69	249,952.48
Instruction Related Technology	199,852.90	146,071.22
School Board	150,080.65	239,357.97
General Administration	249,006.42	285,863.78
School Administration	430,377.79	422,047.23
Facilities Acquisition and Construction	165,310.83	137,298.42
Fiscal Services	247,997.83	310,342.36
Food Services	517,573.10	550,254.54
Central Services	2,594.49	3,747.57
Pupil Transportation Services	632,689.51	625,364.73
Operation of Plant	563,811.60	608,239.03
Maintenance of Plant	329,661.77	380,291.60
Administrative Technology Services	97,995.13	88,947.44
Unallocated Interest on Long-Term Debt	13,659.80	10,516.45
Unallocated Depreciation Expense	524,136.77	858,961.66
Total Functions/Program Expenses	10,469,808.17	11,808,008.73
Decrease in Net Assets	\$ (620,757.08)	\$ (1,030,080.90)

The largest revenue source is the State of Florida (62.28 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 decreased primarily due to discontinuation of several stimulus programs and discontinuation of the Twenty-First Century grant.

Capital grants and contributions revenues decreased primarily because the District did not receive Public Educational Capital Outlay funds.

Instruction expenses represent 49 percent of total governmental expenses during the 2011-12 fiscal year. Instruction expenses decreased by \$569,880, or 10 percent, due mainly to the completion of the American Recovery and Reinvestment Act (AARA) and Education Jobs Fund grants and a reduction in required Florida Retirement System contributions. Savings were realized as a result of the required employer retirement contribution decreasing from 10.77 percent to 4.91 percent for the most common membership class. Employees were required to contribute 3 percent, which resulted in a total of 7.91 percent contributed.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

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

As of the end of the 2011-12 fiscal year, the District's governmental funds report combined ending fund balances of \$1,300,467, a decrease of \$136,795 in comparison with the 2010-11 fiscal year. Approximately 46 percent of this total amount or \$603,075 constitutes unassigned fund balances, which are available for spending at the District's discretion. The remainder of fund balance is not available for new spending: 1) Nonspendable - inventory (\$16,725); 2) Restricted for State required carryover programs (\$70,854); 3) Restricted for debt service payments (\$7,986); 4) Restricted for capital projects expenditures (\$334,235); 5) Restricted for food service expenditures (\$15,247); 6) Restricted for potential claims under the self-insurance plan (\$16,806); 7) Assigned for Board-approved budget items (\$135,540); and 8) Assigned for other District purposes (\$100,000).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$603,075, while the total fund balance is \$937,005. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 7.47 percent of total General Fund expenditures, while total fund balance represents 11.61 percent of that same amount. The fund balance of the District's General Fund decreased by \$253,021 during the current fiscal year because salaries previously paid from American Recovery and Reinvestment Act (ARRA) and Education Jobs Fund programs during the 2009-10 and 2010-11 fiscal years were paid from General Fund during the 2011-12 fiscal year.

The Special Revenue – Other Fund has a zero fund balance at the end of the current fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance. Expenditures decreased by \$395,458 primarily because the Education Technology and Twenty-First Century grants ended September 20, 2011.

The Special Revenue – Federal Economic Stimulus Fund also has a zero fund balance at the end of the current fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance. Revenues and expenditures decreased by \$721,104 each primarily due to stimulus grants ending as of September 30, 2011.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$264,799, which is restricted for the acquisition, construction, and maintenance of capital assets. The District purchased land using these funds during the 2011-12 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted revenues and expenditures were in line with original budget amounts. Actual revenues are \$139,892 more than final budgeted amounts while actual expenditures are \$464,144 less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$604,041.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$12,233,748 (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. The District purchased land during the 2011-12 fiscal year.

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

Long-Term Debt

At June 30, 2012, the District has total bonded debt outstanding of \$180,000, which is backed by the full faith and credit of the State of Florida. Additional information on the District's long-term debt can be found in notes 6 and 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District received significantly less ARRA and other Federal stimulus moneys for use in the 2011-12 fiscal year. Although the District was awarded Race-to-the-Top funds for a total of \$230,311 through June 30, 2014, these funds are for a specific purpose and cannot be used for general operations. In an environment of uncertain State resources, District staff continues to work with the Board and administrators to develop cost saving measures to reduce the impact of the nonrecurring Federal stimulus revenues.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Business, Lafayette County District School Board, 363 NE Crawford Street, Mayo, FL 32066.

BASIC FINANCIAL STATEMENTS

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2012**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,112,063.84
Investments	27,473.90
Due from Fiscal Agent	32,852.42
Deposits Receivable	100,000.00
Due from Other Agencies	96,137.45
Inventories	16,725.35
Capital Assets:	
Nondepreciable Capital Assets	360,893.25
Depreciable Capital Assets, Net	11,972,855.09
	<u>11,972,855.09</u>
TOTAL ASSETS	\$ 13,719,001.30
LIABILITIES	
Salaries and Benefits Payable	\$ 55,463.09
Payroll Deductions and Withholdings	12,519.09
Due to Other Agencies	330.00
Matured Interest Payable	427.50
Estimated Insurance Claims Payable	16,046.47
Long-Term Liabilities:	
Portion Due Within One Year	54,650.28
Portion Due After One Year	1,349,027.53
	<u>1,349,027.53</u>
Total Liabilities	1,488,463.96
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,153,748.34
Restricted for:	
State Required Carryover Programs	70,853.74
Debt Service	7,985.51
Capital Projects	334,234.75
Food Service	21,241.09
Self-Insurance	16,805.95
Unrestricted	(374,332.04)
	<u>(374,332.04)</u>
Total Net Assets	12,230,537.34
TOTAL LIABILITIES AND NET ASSETS	\$ 13,719,001.30

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 5,087,718.31	\$ 14,866.64	\$	\$	\$ (5,072,851.67)
Pupil Personnel Services	486,289.65				(486,289.65)
Instructional Media Services	126,300.73				(126,300.73)
Instruction and Curriculum Development Services	464,194.20				(464,194.20)
Instructional Staff Training Services	180,556.69				(180,556.69)
Instruction Related Technology	199,852.90				(199,852.90)
School Board	150,080.65				(150,080.65)
General Administration	249,006.42				(249,006.42)
School Administration	430,377.79				(430,377.79)
Facilities Acquisition and Construction	165,310.83			13,207.77	(152,103.06)
Fiscal Services	247,997.83				(247,997.83)
Food Services	517,573.10	94,637.16	371,107.31		(51,828.63)
Central Services	2,594.49				(2,594.49)
Pupil Transportation Services	632,689.51	2,647.67			(630,041.84)
Operation of Plant	563,811.60				(563,811.60)
Maintenance of Plant	329,661.77				(329,661.77)
Administrative Technology Services	97,995.13				(97,995.13)
Unallocated Interest on Long-Term Debt	13,659.80			24,389.21	10,729.41
Unallocated Depreciation Expense*	524,136.77				(524,136.77)
Total Governmental Activities	\$ 10,469,808.17	\$ 112,151.47	\$ 371,107.31	\$ 37,596.98	(9,948,952.41)

General Revenues:

Taxes:	
Property Taxes, Levied for Operational Purposes	1,518,695.20
Property Taxes, Levied for Capital Projects	362,718.37
Grants and Contributions Not Restricted to Specific Programs	7,292,346.75
Unrestricted Investment Earnings	2,823.85
Miscellaneous	151,611.16

Total General Revenues

9,328,195.33

Change in Net Assets

(620,757.08)

Net Assets - Beginning

12,851,294.42

Net Assets - Ending

\$ 12,230,537.34

* 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.

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**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 778,591.88	\$ 5,000.41	\$
Investments	20,735.78		
Due from Fiscal Agent	32,852.42		
Deposits Receivable	100,000.00		
Due from Other Funds	5,823.61		
Due from Other Agencies	72,628.84		823.20
Inventories	10,731.58		
TOTAL ASSETS	\$ 1,021,364.11	\$ 5,000.41	\$ 823.20
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 55,463.09	\$	\$
Payroll Deductions and Withholdings	12,519.09		
Due to Other Funds		5,000.41	823.20
Due to Other Agencies	330.00		
Matured Interest Payable			
Estimated Insurance Claims Payable	16,046.47		
Total Liabilities	84,358.65	5,000.41	823.20
Fund Balances:			
Nonspendable:			
Inventory	10,731.58		
Restricted for:			
State Required Carryover Programs	70,853.74		
Debt Service			
Capital Projects			
Food Service			
Self-Insurance	16,805.95		
Total Restricted Fund Balance	87,659.69		
Assigned to:			
Board-approved Budget Items	135,539.55		
Other Purposes	100,000.00		
Total Assigned Fund Balance	235,539.55		
Unassigned Fund Balance	603,074.64		
Total Fund Balances	937,005.46		
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,021,364.11	\$ 5,000.41	\$ 823.20

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
\$ 250,321.10	\$ 78,150.45	\$ 1,112,063.84
	6,738.12	27,473.90
		32,852.42
		100,000.00
		5,823.61
14,477.62	8,207.79	96,137.45
	5,993.77	16,725.35
<u>\$ 264,798.72</u>	<u>\$ 99,090.13</u>	<u>\$ 1,391,076.57</u>
\$	\$	\$ 55,463.09
		12,519.09
		5,823.61
		330.00
	427.50	427.50
		16,046.47
	427.50	90,609.76
	5,993.77	16,725.35
		70,853.74
	7,985.51	7,985.51
264,798.72	69,436.03	334,234.75
	15,247.32	15,247.32
		16,805.95
<u>264,798.72</u>	<u>92,668.86</u>	<u>445,127.27</u>
		135,539.55
		100,000.00
		235,539.55
		603,074.64
264,798.72	98,662.63	1,300,466.81
<u>\$ 264,798.72</u>	<u>\$ 99,090.13</u>	<u>\$ 1,391,076.57</u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total Fund Balances - Governmental Funds \$ 1,300,466.81

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. 12,333,748.34

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 fiscal year-end consist of:

Bonds Payable	\$ 180,000.00	
Compensated Absences Payable	602,477.81	
Other Postemployment Benefits Payable	621,200.00	(1,403,677.81)

Total Net Assets - Governmental Activities \$ 12,230,537.34

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

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**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Through State and Local State	\$ 90,562.82	\$ 1,020,147.87	\$ 92,334.49
State	6,089,133.57		
Local:			
Property Taxes	1,518,695.20		
Charges for Services - Food Service			
Miscellaneous	169,655.09	1,673.23	
Total Local Revenues	1,688,350.29	1,673.23	
Total Revenues	7,868,046.68	1,021,821.10	92,334.49
Expenditures			
Current - Education:			
Instruction	4,399,001.20	568,420.45	26,675.09
Pupil Personnel Services	325,612.44	149,159.60	2,339.16
Instructional Media Services	123,610.34		
Instruction and Curriculum Development Services	310,637.36	134,833.57	13,625.72
Instructional Staff Training Services	82,333.53	94,155.80	5,023.20
Instruction Related Technology	151,972.82	16,845.58	28,875.98
School Board	145,292.82		
General Administration	203,141.10	36,783.09	4,063.75
School Administration	415,976.53		3,467.60
Facilities Acquisition and Construction	17,287.58		
Fiscal Services	244,888.89		
Food Services			
Central Services	2,628.01		
Pupil Transportation Services	587,626.81		
Operation of Plant	560,017.02		
Maintenance of Plant	325,680.74		
Administrative Technology Services	94,711.08		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	65,309.47		
Other Capital Outlay	14,411.07	21,617.92	8,263.99
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	8,070,138.81	1,021,816.01	92,334.49
Excess (Deficiency) of Revenues Over Expenditures	(202,092.13)	5.09	
Other Financing Sources (Uses)			
Transfers In	66,071.25		
Transfers Out	(117,000.00)	(5.09)	
Total Other Financing Sources (Uses)	(50,928.75)	(5.09)	
Net Change in Fund Balances	(253,020.88)		
Fund Balances, Beginning	1,190,026.34		
Fund Balances, Ending	\$ 937,005.46	\$ 0.00	\$ 0.00

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
\$	\$	\$
	363,539.31	1,566,584.49
	45,332.98	6,134,466.55
362,718.37		1,881,413.57
	94,637.16	94,637.16
442.21	178.79	171,949.32
<u>363,160.58</u>	<u>94,815.95</u>	<u>2,148,000.05</u>
<u>363,160.58</u>	<u>503,688.24</u>	<u>9,849,051.09</u>
		4,994,096.74
		477,111.20
		123,610.34
		459,096.65
		181,512.53
		197,694.38
		145,292.82
		243,987.94
		419,444.13
148,023.25		165,310.83
		244,888.89
	511,105.94	511,105.94
		2,628.01
		587,626.81
		560,017.02
		325,680.74
		94,711.08
113,113.72		178,423.19
	654.00	44,946.98
	15,000.00	15,000.00
3,895.59	9,764.21	13,659.80
<u>265,032.56</u>	<u>536,524.15</u>	<u>9,985,846.02</u>
<u>98,128.02</u>	<u>(32,835.91)</u>	<u>(136,794.93)</u>
70,000.00	47,000.00	183,071.25
<u>(66,066.16)</u>		<u>(183,071.25)</u>
<u>3,933.84</u>	<u>47,000.00</u>	
102,061.86	14,164.09	(136,794.93)
<u>162,736.86</u>	<u>84,498.54</u>	<u>1,437,261.74</u>
<u>\$ 264,798.72</u>	<u>\$ 98,662.63</u>	<u>\$ 1,300,466.81</u>

**LAFAYETTE 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, 2012**

Net Change in Fund Balances - Governmental Funds \$ (136,794.93)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (237,061.46)

In the governmental funds, the cost of capital 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 these assets upon disposition. (97,782.15)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current fiscal year. 15,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 6,681.46

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. (170,800.00)

Change in Net Assets - Governmental Activities \$ (620,757.08)

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2012**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ <u>140,903</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>140,903</u>

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Lafayette 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 Lafayette 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 Lafayette County.

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

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.

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

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

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

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

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

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and amounts placed with the 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 the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, 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 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the 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.

Inventories. Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that 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 purchased during the year and are adjusted at year-end to reflect year-end physical inventories.

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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	10 - 35 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

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

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

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

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

State Revenue Sources. Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of the 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 the 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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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 Lafayette County Property Appraiser, and property taxes are collected by the Lafayette County Tax Collector.

The Board adopted the 2011 tax levy on September 8, 2011. 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 Lafayette County Tax Collector at fiscal year-end but not yet remitted to the District.

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

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 133,595.79
Fund B	5.73 Year Average	20,735.78
Debt Service Accounts	6 Months	<u>6,738.12</u>
Total Investments		<u>\$ 161,069.69</u>

Note: (1) This investment is 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 38 days at June 30, 2012. 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. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

- **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other 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.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

The District’s investment in Florida PRIME is rated AAAM by Standard & Poor’s. Fund B is unrated.

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	\$ 214,561.10	\$ 40,000.00	\$	\$ 254,561.10
Land Improvements		97,782.15		97,782.15
Construction in Progress	8,550.00			8,550.00
Total Capital Assets Not Being Depreciated	223,111.10	137,782.15		360,893.25
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	936,487.89	63,659.47	97,782.15	902,365.21
Buildings and Fixed Equipment	18,753,077.91	74,763.72		18,827,841.63
Furniture, Fixtures, and Equipment	1,420,708.85	44,946.98	140,887.29	1,324,768.54
Motor Vehicles	1,139,477.26			1,139,477.26
Audio Visual Materials and Computer Software	390,296.15		12,732.36	377,563.79
Total Capital Assets Being Depreciated	22,640,048.06	183,370.17	251,401.80	22,572,016.43
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	631,392.82	18,634.38		650,027.20
Buildings and Fixed Equipment	7,322,267.20	382,398.46		7,704,665.66
Furniture, Fixtures, and Equipment	1,033,844.79	106,886.74	140,887.29	999,844.24
Motor Vehicles	859,519.99	34,077.01		893,597.00
Audio Visual Materials and Computer Software	347,542.41	16,217.19	12,732.36	351,027.24
Total Accumulated Depreciation	10,194,567.21	558,213.78	153,619.65	10,599,161.34
Total Capital Assets Being Depreciated, Net	12,445,480.85	(374,843.61)	97,782.15	11,972,855.09
Governmental Activities Capital Assets, Net	\$ 12,668,591.95	\$ (237,061.46)	\$ 97,782.15	\$ 12,333,748.34

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 34,077.01
Unallocated	524,136.77
Total Depreciation Expense - Governmental Activities	\$ 558,213.78

5. CHANGES IN SHORT-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 0	\$ 187,902.87	\$ 187,902.87	\$ 0

Pursuant to the provisions of Section 1011.13, Florida Statutes, the District issued a tax anticipation note, the purpose of which was to purchase real property.

6. BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 180,000	5.0	2020

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 29,000	\$ 20,000	\$ 9,000
2014	28,000	20,000	8,000
2015	27,000	20,000	7,000
2016	26,000	20,000	6,000
2017	30,000	25,000	5,000
2018-2020	82,500	75,000	7,500
Total State School Bonds	\$ 222,500	\$ 180,000	\$ 42,500

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 195,000.00	\$	\$ 15,000.00	\$ 180,000.00	\$ 20,000.00
Compensated Absences Payable	609,159.27	55,953.32	62,634.78	602,477.81	34,650.28
Other Postemployment Benefits Payable	450,400.00	275,600.00	104,800.00	621,200.00	
Total Governmental Activities	\$ 1,254,559.27	\$ 331,553.32	\$ 182,434.78	\$ 1,403,677.81	\$ 54,650.28

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 5,823.61	\$
Special Revenue:		
Other		5,000.41
Federal Economic Stimulus		823.20
Total	\$ 5,823.61	\$ 5,823.61

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Interfund receivables and payables were primarily for amounts due for expenditures paid by a particular fund on behalf of another fund.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 66,071.25	\$ 117,000.00
Special Revenue:		
Other		5.09
Capital Projects:		
Local Capital Improvement	70,000.00	66,066.16
Nonmajor Governmental	47,000.00	
Total	\$ 183,071.25	\$ 183,071.25

Funds were used primarily to reimburse the General Fund for property and casualty insurance premiums, to supplement food service operations, and to reimburse the Capital Projects - Local Capital Improvement Fund for a portion of the payment of a short-term note payable.

9. FUND BALANCE REPORTING

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.

➤ 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, 2012.

➤ 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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 Superintendent or Director of Business 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.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue sources for the 2011-12 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 4,551,396.00
Categorical Educational Program - Class Size Reduction	1,172,210.00
Workforce Development Program	53,245.00
School Recognition	42,527.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	38,162.72
Food Service Supplement	7,568.00
Mobile Home License Tax	3,867.43
Discretionary Lottery Funds	3,390.00
Miscellaneous	<u>262,100.40</u>
 Total	 <u><u>\$ 6,134,466.55</u></u>

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

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.278	\$ 1,256,898
Basic Discretionary Local Effort	0.748	178,128
Critical Operating Needs	0.250	59,535
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>357,209</u>
 Total	 <u><u>7.776</u></u>	 <u><u>\$ 1,851,770</u></u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

12. FLORIDA RETIREMENT SYSTEM

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 the Investment Plan.

(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 including employee contributions for the fiscal year ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$573,588.81, \$633,143.07, and \$437,700.48, respectively, which were equal to the required contributions for each fiscal year.

There were 17 District participants in the Investment Plan during the 2011-12 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$40,608.95, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical, prescription drug, and life insurance. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 OPEB Plan on average than those of active employees. Additionally, the District pays a portion of the cost of healthcare benefits for certain retired former employees (explicitly subsidized). Pursuant to the current instructional and school-related employee contracts, current employees who retire within the first year of eligibility (30 years of service or age 62 and vested with the FRS) and file a Notice of Intent to Retire within the designated timelines, are eligible to receive the benefit. The benefits provided under this defined benefit plan continue until the employees reach 65 years of age or become

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

eligible for Medicare, whichever occurs first. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB 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 OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 36 retirees received other postemployment benefits. The District provided required contributions of \$104,800 toward the annual OPEB cost, net of retiree contributions totaling \$71,800, which represents 1.2 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of 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 OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 140,400
Amortization of Unfunded Actuarial Accrued Liability	130,600
Interest on Normal Cost and Amortization	<u>5,400</u>
Annual Required Contribution	276,400
Interest on Net OPEB Obligation	18,000
Adjustment to Annual Required Contribution	<u>(18,800)</u>
Annual OPEB Cost (Expense)	275,600
Contribution Toward the OPEB Cost	<u>(104,800)</u>
Increase in Net OPEB Obligation	170,800
Net OPEB Obligation, Beginning of Year	<u>450,400</u>
Net OPEB Obligation, End of Year	<u><u>\$ 621,200</u></u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 347,300	35.5%	\$ 224,100
2010-11	363,500	37.7%	450,400
2011-12	275,600	38.0%	621,200

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$3,199,200, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,199,200 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$5,837,400, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54.8 percent.

Actuarial valuations of an ongoing OPEB 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 OPEB 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 OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB 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 July 1, 2011, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2012, and the District’s 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a general inflation rate of 2.5 percent, payroll growth rate of 2.5 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2011-12 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

14. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lafayette County District School Board participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District’s covered risks related to comprehensive property and liability insurance, general liability, workers’ compensation, money and securities, and employees’ fidelity and faithful performance are included in the group program. The program is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts.

The District also participates in supplemental employee group insurance programs administered through the North East Florida Educational Consortium (Consortium) for life, dental, vision, disability, and accidental death and dismemberment. The Consortium is governed by a board of directors composed of the superintendents of participating school districts. The Consortium is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Consortium offices are located in Putnam County, and the Putnam County District School Board is the fiscal agent. Premiums charged to the districts are based on each individual district’s claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital. Accordingly, the District reports the District’s estimated liability for unpaid claims. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management programs.

A liability in the amount of \$16,046.47 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2012.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2010-11	\$ 12,269.24	\$ 192,214.13	\$(186,340.92)	\$ 18,142.45
2011-12	18,142.45	166,117.78	(168,213.76)	16,046.47

The District’s health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 6,038,865.38	\$ 96,903.35 6,084,788.14	\$ 90,562.82 6,089,133.57	\$ (6,340.53) 4,345.43
Local:				
Property Taxes	1,434,911.00	1,434,911.00	1,518,695.20	83,784.20
Miscellaneous		111,552.67	169,655.09	58,102.42
Total Local Revenues	<u>1,434,911.00</u>	<u>1,546,463.67</u>	<u>1,688,350.29</u>	<u>141,886.62</u>
Total Revenues	<u>7,473,776.38</u>	<u>7,728,155.16</u>	<u>7,868,046.68</u>	<u>139,891.52</u>
Expenditures				
Current - Education:				
Instruction	4,551,086.11	4,548,698.31	4,399,001.20	149,697.11
Pupil Personnel Services	327,414.76	332,196.64	325,612.44	6,584.20
Instructional Media Services	132,179.50	136,076.08	123,610.34	12,465.74
Instruction and Curriculum Development Services	302,352.00	320,926.89	310,637.36	10,289.53
Instructional Staff Training Services	87,145.50	87,033.43	82,333.53	4,699.90
Instruction Related Technology	113,008.81	160,541.87	151,972.82	8,569.05
School Board	234,450.35	252,092.90	145,292.82	106,800.08
General Administration	202,771.38	205,455.21	203,141.10	2,314.11
School Administration	407,112.00	419,400.93	415,976.53	3,424.40
Facilities Acquisition and Construction	38,703.95	37,226.09	17,287.58	19,938.51
Fiscal Services	271,014.00	248,014.00	244,888.89	3,125.11
Central Services	7,263.00	3,452.77	2,628.01	824.76
Pupil Transportation Services	636,300.46	632,255.14	587,626.81	44,628.33
Operation of Plant	577,803.00	580,798.88	560,017.02	20,781.86
Maintenance of Plant	325,433.34	332,013.12	325,680.74	6,332.38
Administrative Technology Services	108,374.00	116,156.21	94,711.08	21,445.13
Fixed Capital Outlay:				
Facilities Acquisition and Construction	4,843.10	76,493.10	65,309.47	11,183.63
Other Capital Outlay	43,085.06	45,451.55	14,411.07	31,040.48
Total Expenditures	<u>8,370,340.32</u>	<u>8,534,283.12</u>	<u>8,070,138.81</u>	<u>464,144.31</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(896,563.94)</u>	<u>(806,127.96)</u>	<u>(202,092.13)</u>	<u>604,035.83</u>
Other Financing Sources (Uses)				
Transfers In		66,066.16	66,071.25	5.09
Transfers Out	(35,000.00)	(117,000.00)	(117,000.00)	
Total Other Financing Sources (Uses)	<u>(35,000.00)</u>	<u>(50,933.84)</u>	<u>(50,928.75)</u>	<u>5.09</u>
Net Change in Fund Balances	<u>(931,563.94)</u>	<u>(857,061.80)</u>	<u>(253,020.88)</u>	<u>604,040.92</u>
Fund Balances, Beginning	1,190,026.34	1,190,026.34	1,190,026.34	
Fund Balances, Ending	<u>\$ 258,462.40</u>	<u>\$ 332,964.54</u>	<u>\$ 937,005.46</u>	<u>\$ 604,040.92</u>

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)
\$ 123,813.35	\$ 1,085,810.47	\$ 1,020,147.87	\$ (65,662.60)	\$ 54,340.17	\$ 115,254.50	\$ 92,334.49	\$ (22,920.01)
	<u>1,673.23</u>	<u>1,673.23</u>					
	<u>1,673.23</u>	<u>1,673.23</u>					
<u>123,813.35</u>	<u>1,087,483.70</u>	<u>1,021,821.10</u>	<u>(65,662.60)</u>	<u>54,340.17</u>	<u>115,254.50</u>	<u>92,334.49</u>	<u>(22,920.01)</u>
99,705.00	590,214.12	568,420.45	21,793.67	10,949.63	29,854.56	26,675.09	3,179.47
453.08	151,297.10	149,159.60	2,137.50	4,278.45	2,339.16	2,339.16	
5,905.75	137,142.15	134,833.57	2,308.58	10,028.14	13,625.72	13,625.72	
1,743.90	119,104.26	94,155.80	24,948.46	17,966.43	15,249.00	5,023.20	10,225.80
4,797.36	27,189.43	16,845.58	10,343.85	33.37	29,019.35	28,875.98	143.37
4,191.69	39,518.85	36,783.09	2,735.76	321.49	4,816.85	4,063.75	753.10
				1,079.90	3,631.90	3,467.60	164.30
1,394.78	1,394.78		1,394.78		4,453.97		4,453.97
5,621.79	21,617.92	21,617.92		9,682.76	12,263.99	8,263.99	4,000.00
<u>123,813.35</u>	<u>1,087,478.61</u>	<u>1,021,816.01</u>	<u>65,662.60</u>	<u>54,340.17</u>	<u>115,254.50</u>	<u>92,334.49</u>	<u>22,920.01</u>
	<u>5.09</u>	<u>5.09</u>					
	<u>(5.09)</u>	<u>(5.09)</u>					
	<u>(5.09)</u>	<u>(5.09)</u>					
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**LAFAYETTE 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) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2009	\$ 0	\$ 3,990,900	\$ 3,990,900	0.0%	\$ 5,754,400	69.4%
July 1, 2011	0	3,199,200	3,199,200	0.0%	5,837,400	54.8%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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 July 1, 2011, unfunded actuarial accrued liability of \$3,199,200 was significantly lower than the July 1, 2009, liability of \$3,990,900 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Dental and vision benefits are no longer included because the retiree contribution rates are believed to be sufficient to cover the cost of the benefit.
- The claim costs have been updated to reflect the most recent premium rates.
- The mortality table has been updated to the IRS PPA Funding Mortality Table, fully generational. The previous valuation used the 2007 Current Liability Mortality Table.
- The retirement and termination rate tables have been updated to reflect the July 1, 2011, FRS pension valuation.
- The assumed annual healthcare cost trend for medical and prescription costs was reset. In the previous valuation, the initial healthcare cost trend was assumed to increase at 10 percent in the first year, decreasing by 1 percent each year to an ultimate rate of 5 percent after five years. In the current valuation, the trend was reset to an increase of 10 percent in the first year, decreasing by 0.5 percent each year to an ultimate rate of 5 percent after ten years.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

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	\$ 29,146.89
National School Lunch Program	10.555	300, 350	100,770.05
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	52,741.20
National School Lunch Program	10.555 (2)(A)	300, 350	180,496.59
Summer Food Service Program for Children	10.559	323	<u>3,077.37</u>
Total United States Department of Agriculture			<u>366,232.10</u>
United States Department of Energy:			
Indirect:			
University of Central Florida:			
ARRA - State Energy Program	81.041 (2)(B)	None	<u>63,659.47</u>
United States Department of Education:			
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 228	354,857.01
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	<u>5,154.81</u>
Total Title I, Part A Cluster			360,011.82
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	281,144.06
Special Education - Preschool Grants	84.173	267	12,851.95
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	<u>35,632.87</u>
Total Special Education Cluster			329,628.88
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	90,400.69
Migrant Education - State Grant Program	84.011	217	20,390.67
Career and Technical Education - Basic Grants to States	84.048	151	33,381.85
Education for Homeless Children and Youth	84.196	127	19,271.53
Even Start - State Educational Agencies	84.213	219	123,436.01
Twenty-First Century Community Learning Centers	84.287	244	3,019.63
Education Technology State Grants	84.318	121	10,400.12
Rural Education	84.358	110	17,594.06
Improving Teacher Quality State Grants	84.367	224	53,400.29
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RL121	48,720.81
Education Jobs Fund	84.410	541	2,826.00
Putnam County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397(2)(C)	None	<u>38,161.02</u>
Total Indirect			<u>1,150,643.38</u>
Total United States Department of Education			<u>1,150,643.38</u>
Total Expenditures of Federal Awards			<u>\$ 1,580,534.95</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:

- (A) National School Lunch Program - Includes \$11,029.96 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of
- (B) State Energy Program - Includes \$56,007.47 representing the Federally-paid portion of solar panels and related site preparation and installation costs.
- (C) ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act - Expenditures include Federally-paid costs for instructional materials of \$37,861.02.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lafayette County District School Board as of and for the fiscal year ended June 30, 2012, 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 includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds as described in our report on the Lafayette County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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.

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.

Our **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*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 16, 2013



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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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 Lafayette County District School Board's compliance with the types of compliance requirements described in the *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, 2012. 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.

As described in Federal Awards Finding No. 1 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding Matching, Level of Effort, Earmarking - Matching that are applicable to its Even Start program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2012. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 control 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. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2 to be a significant deficiency.

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 the response.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
January 16, 2013

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs except for the Even Start – State Educational Agencies (CFDA No. 84.213) which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Even Start – State Educational Agencies (CFDA No. 84.213)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ADDITIONAL MATTERS

Finding No. 1: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending and more citizen involvement, and demonstrates accountability for its resources. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

The District prominently posted to its Web site the official budget for the 2011-12 fiscal year that was understandable and readily accessible to the public; however, because the official budget did not vary significantly from the Board-adopted proposed and tentative budgets, the District did not post the proposed and tentative budgets to its Web site, contrary to Section 1011.035(2), Florida Statutes. Further, as of December 14, 2012, the District inadvertently had not posted the proposed, tentative, and official budgets for the 2012-13 fiscal year, although the Board approved the official budget on September 6, 2012.

District personnel indicated that they would update the Web site to include all necessary budgets. Without the required budgetary transparency, the ability to analyze, monitor, and evaluate budget outcomes may be limited.

Recommendation: The District should enhance its procedures to ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding No. 2: 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, provisions for designated staff to be trained in incident response, and notification to affected parties.

Although District personnel developed a written security incident response plan in the 2011-12 fiscal year, the plan lacked the following provisions:

- An established process, pursuant to Section 817.5681, Florida Statutes, of notifying affected parties whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person;
- An established process for modifying access control policies and techniques resulting from the occurrence of security violations, incidents, or new threat assessments;
- Procedures for periodically reviewing critical system resources; and
- Identification of security incident response team members.

The lack of an adequate security incident response plan may result in the District's failure to take appropriate actions in a timely manner to prevent further loss or damage to District data and information technology (IT) resources. A similar finding was noted in our report No. 2012-109.

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

Finding No. 3: 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 that 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 risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was noted in our report No. 2012-109.

Recommendation: 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.

Finding No. 4: Informational Technology – Disaster Recovery Plan

Disaster recovery planning is an element of IT controls established to manage the availability of valuable data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity with a plan for continuing critical operations in the event of a major hardware or software failure. The success and effectiveness of a disaster recovery plan requires elements such as provisions for secured off-site storage of critical backups and alternate site processing arrangements.

The District developed a District-level disaster recovery plan in the 2011-12 fiscal year and has a formal disaster recovery agreement with the North East Florida Education Consortium whereby member districts serve as alternate-processing sites for each other during disaster-related interruptions to critical IT operations. However, the District-level disaster recovery plan did not:

- Identify the District's critical applications, programs, and data files;
- Identify the processing priority for the District's critical applications, programs, and data files;
- Identify the hardware and software necessary for processing critical applications; and
- Require annual testing of the plan.

Without a sufficient, detailed disaster recovery plan, there is an increased risk that the District may not promptly and effectively resume IT operations in the event of a disaster or other service interruption. A similar finding was noted in our report No. 2012-109.

Recommendation: The District should enhance its IT disaster recovery plan to address procedures for minimizing the disruption of operations in the event of a disaster and annually test the plan.

Finding No. 5: Informational 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.

District personnel indicated that, because of the small number of IT personnel, written policies and procedures had not been developed for the following IT functions:

- Administering user identifiers (IDs), service IDs, and administrator IDs and passwords;
- Requesting, creating, and modifying user accounts and associated access privileges; and
- Reviewing user access privileges.

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 our report Nos. 2011-100 and 2012-109.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Even Start – State Educational Agencies (CFDA No. 84.213)

Finding Type: Material Noncompliance and Material Weakness

Questioned Costs: \$157,799

Matching, Level of Effort, Earmarking - Matching. Title 34, Section 80.24, Code of Federal Regulations (CFR), requires that the District maintain records to support costs and contributions that satisfy grant cost sharing or matching requirements. During the 2010-11 fiscal year, the District received a two-year Even Start grant from the Florida Department of Education that required the District to contribute an equal match toward the grant's costs. For the 2010-11 and 2011-12 fiscal years, Federal Even Start program expenditures totaled \$119,970 and \$123,436, respectively, and the District was required to provide matching costs of \$243,406. The Even Start grant award identified certain costs paid that were to be from nongrant resources for materials, salary and benefits, classroom rent, and other charges to meet the matching requirement.

Upon request, District records were provided to support matching costs claimed for classroom rent of \$185,977, salaries and benefits of \$52,612, professional and technical services of \$4,330, and other costs. While District records supported some of the matching costs claimed, District personnel miscalculated the classroom rent using the wrong cost per square foot, resulting in \$157,799 of matching costs overclaimed. As such, the District could be subject to disallowance of Federal expenditures if the District is unable to document the required matching costs.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (qualifications) should be made in the auditor's report. As the District did not comply with the

requirement regarding Matching, Level of Effort, Earmarking - Matching that are applicable to its Even Start program, our report on the District’s compliance with those requirements includes a qualification to that effect.

Recommendation: The District should enhance its procedures to ensure that Federal matching requirements are properly supported and calculated. In addition, the District should document to the grantor (Florida Department of Education) the allowability of \$157,799 of questioned costs, or restore these moneys to the Even Start program.

District Contact Person: Debra Land, Director of Instructional and Personnel Services

Federal Awards Finding No. 2:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education and Florida Department of Agriculture and Consumer Services
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Eligibility and Special Tests and Provisions – Verifications. Title 7, Section 245.6, CFR, provides application and other documentation requirements for a child to qualify for meals served free or at a reduced price under the School Breakfast and National School Lunch programs. Title 7, Section 245.6a, CFR, provides, in part, that the District must verify the household income of the free and reduced price applications approved as of October 1 of the school year and, before performing the verification process, someone other than the individual making the initial eligibility determination must review the application for accuracy. The verification sample must generally be the lesser of 3 percent of all approved applications selected from the District’s population of error prone applications or 3,000 error prone applications. Error prone applications are defined as those within \$1,200 of the annual or \$100 of the monthly income limit for free or reduced price meal eligibility.

We reviewed District records and made inquiries to determine whether the District designed and implemented procedures to effectively monitor and verify the eligibility of students receiving free and reduced price meals. Our review disclosed control deficiencies and Federal program noncompliance, as follows:

- Although procedures were in place to perform a verification of free and reduced price meal applications, no one other than the employee that made the initial eligibility determination reviewed the applications for accuracy, contrary to Federal requirements. An independent review of the applications may help the District in determining the meal status of students and ensuring that schools provide free and reduced price meals only to those eligible.
- District personnel selected 3 percent of the approved applications from all free and reduced price meal applications on file, instead of focusing the verification sample to only error prone applications, contrary to Federal regulations. District records indicated that there were 13 applications that were error prone and not selected for verification. The verification process deficiency occurred because District personnel inadvertently selected the wrong sample from the food service information technology system.

Recommendation: The District should enhance its procedures to ensure the meal status of students is accurately assessed and documented, both initially and upon verification, in accordance with Federal regulations.

District Contact Person: Joey Pearson, Director of Support Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2012-109. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
2	Audit Report No. 2012-109, Finding No. 7	NA
3	Audit Report No. 2012-109, Finding No. 6	NA
4	Audit Report No. 2012-109, Finding No. 8	NA
5	Audit Report No. 2012-109, Finding No. 5	Audit Report No. 2011-100, Finding No. 3

NA – Not Applicable

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012*

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
2012-109		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



Lafayette County School Board

363 N.E. Crawford Street • Mayo, Florida 32066-5612
Telephone: (386) 294-1351
FAX: (386) 294-3072

December 18, 2012

Mr. David W. Martin, CPA
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32302

Dear Mr. Martin:

I am in receipt of the preliminary and tentative findings for the fiscal year ending June 30, 2012. The response to the findings is as follows:

Budget Transparency: District personnel will enhance procedures to ensure that proposed, tentative, and official budgets are posted timely and prominently on its Web site.

Information Technology-Security Incident Response Plan: The District will take the appropriate actions to prevent further loss or damage to district data and information technology by updating its written security incident response plan to include the provisions that it lacked.

Information Technology – Security Controls – Data Loss Prevention: District personnel will improve security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Information Technology – Disaster Recovery Plan: District personnel will enhance its disaster recovery plan to address the procedures for minimizing the disruption of operations in the event of a disaster and will annually test the plan.

Information Technology - Written Policies and Procedures: District personnel will establish policies and procedures to document management's expectations for the performance of the IT functions that were listed.

Matching, Level of Effort, Earmarking - Matching: The District is looking into the allowability of the questioned costs.

Eligibility and Special Tests and Provisions - Verifications: District personnel have enhanced its controls by using the electronic choice correctly and manually rechecking to ensure that the verification sample is only error prone applications.

DARREN DRIVER
DISTRICT ONE

JEFF WALKER
DISTRICT TWO

TIMOTHY L. PEARSON
DISTRICT THREE

AMANDA HICKMAN
DISTRICT FOUR

REBA TRAWICK
DISTRICT FIVE

- An Equal Opportunity Employer -

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

I wish to commend Cathy Bandy and Ted Waller from the Lake City Division for conducting this audit in a very timely and professional manner. We value their knowledge and expertise relating to school operations.

Sincerely,



Robert Edwards
Superintendent of Schools

RE/tmm