

**DIXIE 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>
Cheryl Pridgeon, Vice Chair	1
Chuck Farmer	2
Paul Gainey	3
Timothy Alexander, Chair	4
Dwayne Rollison	5

Mark A. Rains, Superintendent

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

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

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

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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 needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

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 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 Special Education Cluster and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2012-128.

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

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Dixie County District School Board, as of and for the fiscal year ended June 30, 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 26 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, 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
February 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Dixie County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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 June 30, 2012, by \$29,688,287.46.
- The District's total net assets decreased \$1,958,148.04, which represents a 6.2 percent decrease from the 2010-11 fiscal year.
- General revenues total \$16,366,607.73, or 92.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1,351,959 or 7.6 percent of all revenues.
- Expenses total \$19,676,714.77. Only \$1,351,959 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$1,958,148.04.
- The unassigned fund balance of the General Fund, which is available for general appropriation by the Board, totals \$1,336,658.66 at June 30, 2012, or 9.2 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents two separate legal entities in this report, the Dixie Education Foundation, Inc., and the Kinder Cub School, Inc., a charter school. The 2011-12 fiscal year was the first

year of operation for the Kinder Cub School, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – 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	\$ 4,434,072.55	\$ 5,882,823.70
Capital Assets	<u>27,458,960.16</u>	<u>28,362,729.50</u>
Total Assets	<u>31,893,032.71</u>	<u>34,245,553.20</u>
Long-Term Liabilities	1,848,897.69	2,204,915.65
Other Liabilities	<u>355,847.56</u>	<u>394,202.05</u>
Total Liabilities	<u>2,204,745.25</u>	<u>2,599,117.70</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	27,043,960.16	27,902,729.50
Restricted	1,623,083.92	1,880,687.02
Unrestricted	<u>1,021,243.38</u>	<u>1,863,018.98</u>
Total Net Assets	<u>\$ 29,688,287.46</u>	<u>\$ 31,646,435.50</u>

The largest portion of the District’s net assets (91.1 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 (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3.4 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 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	\$ 259,416.05	\$ 276,588.48
Operating Grants and Contributions	976,584.53	925,109.97
Capital Grants and Contributions	115,958.42	213,262.68
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,113,310.83	3,336,817.77
Property Taxes, Levied for Capital Projects	729,837.19	792,314.60
Grants and Contributions Not Restricted to Specific Programs	12,318,738.48	14,633,401.66
Unrestricted Investment Earnings	12,395.04	23,514.39
Miscellaneous	192,326.19	341,532.05
Special Items		465,500.00
Total Revenues	17,718,566.73	21,008,041.60
Functions/Program Expenses:		
Instruction	9,169,025.75	9,554,341.75
Pupil Personnel Services	873,719.43	835,218.53
Instructional Media Services	67,949.47	52,894.61
Instruction and Curriculum Development Services	447,782.63	507,549.71
Instructional Staff Training Services	478,282.03	766,126.57
Instruction Related Technology	563,832.77	796,213.01
School Board	231,247.77	238,326.86
General Administration	278,381.55	374,051.01
School Administration	940,733.64	958,972.69
Facilities Acquisition and Construction	574,372.57	291,247.09
Fiscal Services	499,171.23	475,112.95
Food Services	1,161,244.54	1,080,256.17
Central Services	30,420.94	81,324.66
Pupil Transportation Services	1,229,119.54	1,182,406.70
Operation of Plant	1,658,405.25	1,770,035.17
Maintenance of Plant	287,486.74	349,901.57
Administrative Technology Services	95,934.94	44,226.59
Unallocated Interest on Long-Term Debt	30,099.71	24,043.82
Unallocated Depreciation Expense	1,059,504.27	1,222,762.17
Loss on Disposal of Capital Assets		47,461.49
Total Functions/Program Expenses	19,676,714.77	20,652,473.12
Increase (Decrease) in Net Assets	\$ (1,958,148.04)	\$ 355,568.48

The largest revenue source is the State of Florida (57.7 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Overall, revenues and special items decreased by \$3,289,474.87. Decreased grant funding for the American Recovery and Reinvestment Act (ARRA), Education Technology, and other Federal programs, along with declines in local property tax revenues, account for most of the decrease. Also, expenses decreased by \$975,758.35 due primarily to decreases in Federal grant spending associated with the reduced funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$4,078,224.99, a decrease of \$1,147,931.02 from the prior fiscal year.

The General fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$1,336,658.66, while the total fund balance is \$2,785,457.75. Total fund balance decreased by \$946,614.68, compared with an increase of \$585,829.75 in the prior fiscal year. The decrease in the current fiscal year was due primarily to reductions in State revenues and local property taxes and increases in personnel expenditures for pay increases and personnel previously funded by Federal stimulus grants in the prior fiscal year.

The Special Revenue – Other Fund has total revenues of \$2,160,339.44 and expenditures of \$2,159,044.44, and allowed expenditures are specified by grant agreements. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$12,859.08 each, and the funding was mainly used for salaries. Because grant revenues are not recognized until expenditures are incurred, these funds generally do not accumulate significant fund balances.

The Capital Projects – Local Capital Improvement Fund has a fund balance of \$756,262.57, which is restricted for the acquisition, construction, and maintenance of capital assets. Major expenditures during the current fiscal year included planning costs for the construction of a new high school and the restroom renovation project at Dixie County High School. It should be noted that \$186,578.20 of the fund balance has been encumbered primarily for the purchase of two buses.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2011-12 fiscal year, the District amended its General Fund budget, which resulted in an increase in total budgeted revenues and other financing sources amounting to \$165,000. At the same time, final appropriations are more than the original budgeted amounts by \$165,000. Budget revisions were due primarily to adjustments to planned expenditures for changes in programmatic and operational needs.

Actual revenues and other financing sources are \$296,540.20 more than the final budgeted amounts while actual expenditures are \$405,519.12 less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$702,059.75.

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 \$27,458,960.16 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included planning costs associated with a new high school project, the renovation of restrooms at Dixie County High School, and the purchase of new equipment and software.

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

Long-Term Debt

At June 30, 2012, the District has total long-term bonded debt outstanding of \$415,000. This is backed by the full faith and credit of the State of Florida.

Additional information on the District's long-term debt can be found in notes 5 through 7 to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,175,259.86	\$ 128,492.00
Investments	740,014.81	197,158.00
Accounts Receivable	716.28	
Due from Other Agencies	361,104.88	
Prepaid Items		2,388.00
Inventories	156,976.72	
Land Held For Resale		65,461.00
Capital Assets:		
Nondepreciable Capital Assets	1,104,949.40	
Depreciable Capital Assets, Net	26,354,010.76	
	<u>31,893,032.71</u>	<u>393,499.00</u>
TOTAL ASSETS	\$ 31,893,032.71	\$ 393,499.00
LIABILITIES		
Salaries and Benefits Payable	\$ 243,209.34	\$ 8,863.00
Accounts Payable	90,099.58	300.00
Due to Other Agencies	196.58	
Deposits Payable	22,342.06	
Long-Term Liabilities:		
Portion Due Within One Year	262,335.15	
Portion Due After One Year	1,586,562.54	
	<u>2,204,745.25</u>	<u>9,163.00</u>
Total Liabilities	2,204,745.25	9,163.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	27,043,960.16	
Restricted for:		
State Required Carryover Programs	330,316.68	
Debt Service	12,411.84	
Capital Projects	869,782.40	
Food Service	409,278.00	
Endowments - Permanently Restricted		197,221.00
Other Purposes	1,295.00	
Unrestricted	1,021,243.38	187,115.00
	<u>29,688,287.46</u>	<u>384,336.00</u>
Total Net Assets	29,688,287.46	384,336.00
TOTAL LIABILITIES AND NET ASSETS	\$ 31,893,032.71	\$ 393,499.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 9,169,025.75	\$ 50,869.99	\$	\$
Pupil Personnel Services	873,719.43			
Instructional Media Services	67,949.47			
Instruction and Curriculum Development Services	447,782.63			
Instructional Staff Training Services	478,282.03			
Instruction Related Technology	563,832.77			
School Board	231,247.77			
General Administration	278,381.55			
School Administration	940,733.64			
Facilities Acquisition and Construction	574,372.57			15,968.31
Fiscal Services	499,171.23			
Food Services	1,161,244.54	207,116.20	976,584.53	
Central Services	30,420.94			
Pupil Transportation Services	1,229,119.54	1,429.86		
Operation of Plant	1,658,405.25			
Maintenance of Plant	287,486.74			33,416.33
Administrative Technology Services	95,934.94			
Unallocated Interest on Long-Term Debt	30,099.71			66,573.78
Unallocated Depreciation Expense *	1,059,504.27			
Total Primary Government	\$ 19,676,714.77	\$ 259,416.05	\$ 976,584.53	\$ 115,958.42
Component Units				
Foundation/Charter School	\$ 199,721.00	\$ 4,070.00	\$ 7,874.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Units
Activities	
\$ (9,118,155.76)	\$
(873,719.43)	
(67,949.47)	
(447,782.63)	
(478,282.03)	
(563,832.77)	
(231,247.77)	
(278,381.55)	
(940,733.64)	
(558,404.26)	
(499,171.23)	
22,456.19	
(30,420.94)	
(1,227,689.68)	
(1,658,405.25)	
(254,070.41)	
(95,934.94)	
36,474.07	
(1,059,504.27)	
<u>(18,324,755.77)</u>	
	<u>(187,777.00)</u>
3,113,310.83	
729,837.19	
12,318,738.48	181,981.00
12,395.04	2,065.00
192,326.19	
<u>16,366,607.73</u>	<u>184,046.00</u>
(1,958,148.04)	(3,731.00)
<u>31,646,435.50</u>	<u>388,067.00</u>
<u>\$ 29,688,287.46</u>	<u>\$ 384,336.00</u>

**DIXIE 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	\$ 1,950,628.37	\$	\$
Investments	727,602.97		
Accounts Receivable	686.28		
Due from Other Funds	334,517.48		
Due from Other Agencies	19,088.67	323,274.06	12,859.08
Inventories	106,090.37		
TOTAL ASSETS	\$ 3,138,614.14	\$ 323,274.06	\$ 12,859.08
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 243,209.34	\$	\$
Accounts Payable	89,778.92	320.66	
Due to Other Funds	1,269.60	321,658.40	12,859.08
Due to Other Agencies	196.58		
Deposits Payable	18,701.95		
Total Liabilities	353,156.39	321,979.06	12,859.08
Fund Balances:			
Nonspendable:			
Inventory	106,090.37		
Restricted for:			
Federal Required Carryover Programs		1,295.00	
State Required Carryover Programs	330,316.68		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	330,316.68	1,295.00	
Assigned to:			
Employee Terminal Pay	304,392.04		
Board Approved Budget Items	708,000.00		
Total Assigned Fund Balance	1,012,392.04		
Unassigned Fund Balance	1,336,658.66		
Total Fund Balances	2,785,457.75	1,295.00	
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,138,614.14	\$ 323,274.06	\$ 12,859.08

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
\$ 756,262.57	\$ 468,368.92	\$ 3,175,259.86
	12,411.84	740,014.81
	30.00	716.28
	1,269.60	335,787.08
	5,883.07	361,104.88
	50,886.35	156,976.72
<u>\$ 756,262.57</u>	<u>\$ 538,849.78</u>	<u>\$ 4,769,859.63</u>
\$	\$	\$ 243,209.34
		90,099.58
		335,787.08
		196.58
	3,640.11	22,342.06
	<u>3,640.11</u>	<u>691,634.64</u>
	50,886.35	156,976.72
		1,295.00
		330,316.68
756,262.57	12,411.84	12,411.84
	113,519.83	869,782.40
	358,391.65	358,391.65
<u>756,262.57</u>	<u>484,323.32</u>	<u>1,572,197.57</u>
		304,392.04
		708,000.00
		<u>1,012,392.04</u>
		1,336,658.66
<u>756,262.57</u>	<u>535,209.67</u>	<u>4,078,224.99</u>
<u>\$ 756,262.57</u>	<u>\$ 538,849.78</u>	<u>\$ 4,769,859.63</u>

**DIXIE 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 \$ 4,078,224.99

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. 27,458,960.16

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	\$ 415,000.00	
Compensated Absences Payable	1,271,397.69	
Other Postemployment Benefits Payable	162,500.00	(1,848,897.69)

Total Net Assets - Governmental Activities \$ 29,688,287.46

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Through State and Local State	\$ 55,915.43	\$ 2,159,044.44	\$ 12,859.08
	10,091,836.61		
Local:			
Property Taxes	3,113,310.83		
Charges for Services - Food Service			
Miscellaneous	270,704.13	1,295.00	
Total Local Revenues	<u>3,384,014.96</u>	<u>1,295.00</u>	
Total Revenues	<u>13,531,767.00</u>	<u>2,160,339.44</u>	<u>12,859.08</u>
Expenditures			
Current - Education:			
Instruction	7,761,570.52	1,420,335.58	
Pupil Personnel Services	728,603.53	148,442.80	
Instructional Media Services	68,394.60		
Instruction and Curriculum Development Services	364,492.02	91,380.34	
Instructional Staff Training Services	293,391.90	186,312.31	7,226.08
Instruction Related Technology	390,879.39	178,431.27	
School Board	234,106.09		
General Administration	199,203.43	82,238.92	
School Administration	926,796.25		5,633.00
Facilities Acquisition and Construction	394.00		
Fiscal Services	500,929.92		
Food Services	6,689.15		
Central Services	30,942.49		
Pupil Transportation Services	997,558.09	26,407.63	
Operation of Plant	1,663,400.93		
Maintenance of Plant	289,640.99		
Administrative Technology Services	94,753.02		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	40,814.56	25,495.59	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>14,592,560.88</u>	<u>2,159,044.44</u>	<u>12,859.08</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,060,793.88)</u>	<u>1,295.00</u>	
Other Financing Sources (Uses)			
Transfers In	114,179.20		
Transfers Out			
Total Other Financing Sources (Uses)	<u>114,179.20</u>		
Net Change in Fund Balances	(946,614.68)	1,295.00	
Fund Balances, Beginning	3,732,072.43		
Fund Balances, Ending	<u>\$ 2,785,457.75</u>	<u>\$ 1,295.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 955,970.53	\$ 3,183,789.48
	135,655.34	10,227,491.95
729,837.19		3,843,148.02
	207,116.20	207,116.20
1,279.20	873.05	274,151.38
<u>731,116.39</u>	<u>207,989.25</u>	<u>4,324,415.60</u>
<u>731,116.39</u>	<u>1,299,615.12</u>	<u>17,735,697.03</u>
		9,181,906.10
		877,046.33
		68,394.60
		455,872.36
		486,930.29
		569,310.66
		234,106.09
		281,442.35
		932,429.25
540,549.92	33,428.65	574,372.57
		500,929.92
	1,157,387.83	1,164,076.98
		30,942.49
		1,023,965.72
		1,663,400.93
		289,640.99
		94,753.02
251,360.91		251,360.91
51,195.43	17,606.84	135,112.42
	45,000.00	45,000.00
	<u>22,634.07</u>	<u>22,634.07</u>
<u>843,106.26</u>	<u>1,276,057.39</u>	<u>18,883,628.05</u>
<u>(111,989.87)</u>	<u>23,557.73</u>	<u>(1,147,931.02)</u>
		114,179.20
<u>(114,179.20)</u>		<u>(114,179.20)</u>
<u>(114,179.20)</u>		
(226,169.07)	23,557.73	(1,147,931.02)
<u>982,431.64</u>	<u>511,651.94</u>	<u>5,226,156.01</u>
<u>\$ 756,262.57</u>	<u>\$ 535,209.67</u>	<u>\$ 4,078,224.99</u>

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ (1,147,931.02)

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. (886,639.04)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (17,130.30)

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. 45,000.00

Payments made by the escrow agent from prior year deposits to advance-refund outstanding bonds are not reflected in the governmental funds, but reduce assets and long-term liabilities in the statement of net assets.

Prior Fiscal Year Payments to Escrow Agent	\$	(262,465.64)	
Principal Reduction Resulting from Payment to Escrow Agent		255,000.00	(7,465.64)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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. 16,117.96

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 decrease in the other postemployment benefits liability for the current fiscal year. 39,900.00

Change in Net Assets - Governmental Activities **\$ (1,958,148.04)**

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 185,423.00
Inventory	<u>625.00</u>
TOTAL ASSETS	<u><u>\$ 186,048.00</u></u>
LIABILITIES	
Internal Accounts Payable	<u><u>\$ 186,048.00</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Dixie 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 Dixie 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 Dixie County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Discretely Presented Component Units. The Dixie Education Foundation, Inc. (Foundation), was formed to provide charitable and educational aid to the Board; to promote education; and to encourage research, learning, and dissemination of information. The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The Kinder Cub School, Inc. (Charter School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The 2011-12 fiscal year is the first year of operation for the Charter School and it operates under a charter approved by its sponsor, the Dixie County District School Board. The Charter School is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Foundation's and Charter School's audited financial statements for the fiscal year ended June 30, 2012. The audit reports are filed in the District's administrative offices.

Basis of Presentation:

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

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

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

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

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

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

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Special Revenue – Other Fund** – to account for certain Federal grant program resources.
- **Special Revenue – 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.

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

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

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

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

The Charter School is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

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

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

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates 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.

Investments made locally consist of certificates of deposit and are reported at cost. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

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

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 fiscal year-end to reflect year-end physical inventories.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

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

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

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

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

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

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

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

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

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

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

The Board adopted the 2011 tax levy on September 13, 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.

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

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

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

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders 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	\$ 1,000.56
Debt Service Accounts	6 Months	12,411.84
Certificates of Deposit	September 2012	727,602.97
Total Investments, Primary Government		<u>\$ 741,015.37</u>

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

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

➤ Credit Risk

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.

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.

The District's investments in certificates of deposit are in a qualified public depository.

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

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	\$ 857,449.40	\$	\$	\$ 857,449.40
Construction in Progress	168,300.00	79,200.00		247,500.00
Total Capital Assets Not Being Depreciated	1,025,749.40	79,200.00		1,104,949.40
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,219,546.93	25,105.41		4,244,652.34
Buildings and Fixed Equipment	35,168,416.57	147,055.50		35,315,472.07
Furniture, Fixtures, and Equipment	2,938,883.02	92,969.42	627,449.67	2,404,402.77
Motor Vehicles	2,313,987.43			2,313,987.43
Audio Visual Materials and Computer Software (1)	1,287,548.15	42,143.00	10,712.58	1,318,978.57
Total Capital Assets Being Depreciated	45,928,382.10	307,273.33	638,162.25	45,597,493.18
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,500,011.21	186,563.11		2,686,574.32
Buildings and Fixed Equipment	11,531,472.12	706,309.44		12,237,781.56
Furniture, Fixtures, and Equipment	2,387,769.10	100,628.26	621,031.95	1,867,365.41
Motor Vehicles	1,081,726.87	213,608.10		1,295,334.97
Audio Visual Materials and Computer Software	1,090,422.70	66,003.46		1,156,426.16
Total Accumulated Depreciation	18,591,402.00	1,273,112.37	621,031.95	19,243,482.42
Total Capital Assets Being Depreciated, Net	27,336,980.10	(965,839.04)	17,130.30	26,354,010.76
Governmental Activities Capital Assets, Net	\$ 28,362,729.50	\$ (886,639.04)	\$ 17,130.30	\$ 27,458,960.16

Note (1): Deletion represents an adjustment for a refund of software modules not used.

**DIXIE 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	\$ 213,608.10
Unallocated	1,059,504.27
	\$ 1,273,112.37
Total Depreciation Expense - Governmental Activities	\$ 1,273,112.37

5. 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	\$ 190,000	5.0	2018
Series 2010A, Refunding	225,000	4.0 - 5.0	2022
Total Bonds Payable	\$ 415,000		

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 65,500	\$ 45,000	\$ 20,500
2014	63,250	45,000	18,250
2015	66,000	50,000	16,000
2016	68,500	55,000	13,500
2017	60,750	50,000	10,750
2018-2022	192,250	170,000	22,250
Total State School Bonds	\$ 516,250	\$ 415,000	\$ 101,250

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

6. DEFEASED DEBT

During the prior fiscal year, the Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2010A, dated October 14, 2010, with interest rates ranging from 4 to 5 percent, to advance-refund callable portions of the District’s State School Bonds, Series 2002A. The Series 2010A Refunding Bonds were issued to advance-refund the \$255,000 principal amount of the Series 2002A Bonds that matured on or after January 1, 2012. The District’s pro rata share of net proceeds totaling \$260,319.10 (after deduction of \$2,146.54 by the Florida Department of Education for the Districts’ pro rata share of underwriting fees, insurance, and other issuance costs) was placed with an escrow agent to provide future debt service payments. However, the deposit was not structured in a manner to provide a legal defeasance, resulting in an in-substance defeasance of the old debt. As a result, the liability for the State School Bonds, Series 2002A, totaling \$255,000, along with the refunding bond proceeds set aside to service the old debt, were reported in the government-wide financial statements for the 2010-11 fiscal year.

On January 1, 2012, the Series 2002A Bonds, totaling \$255,000 were called and paid off (legal defeasance). Accordingly, the liability for these defeased bonds is not included in the District’s financial statements.

The Series 2010A Refunding Bonds were issued to reduce the total debt service payments over the next 11 years by approximately \$42,900.

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	\$ 715,000.00	\$	\$ 300,000.00	\$ 415,000.00	\$ 45,000.00
Compensated Absences Payable	1,287,515.65	1,162,838.49	1,178,956.45	1,271,397.69	217,335.15
Other Postemployment Benefits Payable	202,400.00	148,600.00	188,500.00	162,500.00	
Total Governmental Activities	<u>\$ 2,204,915.65</u>	<u>\$ 1,311,438.49</u>	<u>\$ 1,667,456.45</u>	<u>\$ 1,848,897.69</u>	<u>\$ 262,335.15</u>

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

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

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	\$ 334,517.48	\$ 1,269.60
Special Revenue:		
Other		321,658.40
Federal Economic Stimulus Programs		12,859.08
Nonmajor Governmental	1,269.60	
Total	\$ 335,787.08	\$ 335,787.08

The interfund amounts represent temporary loans to cover project expenditures prior to reimbursement from grantor agencies. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 114,179.20	\$
Capital Projects:		
Local Capital Improvement		114,179.20
Total	\$ 114,179.20	\$ 114,179.20

Interfund transfers were made to move restricted capital outlay revenues to offset property and casualty insurance premiums paid from General Fund.

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

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

its fund balances other than in the 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 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 Director of Finance and Business Services and Board approval and not included in other categories. The Board has authorized the Director of Finance and Business Services to assign fund balance.

➤ **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	\$ 7,353,576.00
Categorical Educational Program - Class Size Reduction	2,094,114.00
Voluntary Pre-Kindergarten Program	188,836.98
School Recognition	138,332.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	82,542.09
Workforce Development Program	66,287.00
Gross Receipts Tax (Public Education Capital Outlay)	33,416.33
Food Service Supplement	20,614.00
Discretionary Lottery Funds	6,116.00
Mobile Home License Tax	4,219.24
Miscellaneous	239,438.31
Total	<u><u>\$ 10,227,491.95</u></u>

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

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

11. PROPERTY TAXES

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

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.398	\$ 2,708,990.40
Basic Discretionary Local Effort	0.748	375,384.73
Critical Operating Needs	0.250	125,462.81
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	752,776.87
Total	7.896	\$ 3,962,614.81

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.

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

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 Class, 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:

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
Florida Retirement System, Senior Management Service	3.00	6.27
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 years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$914,553.64, \$1,025,157.01, and \$666,816.03, respectively, which were equal to the required contributions for each fiscal year.

There were 11 District participants in the Investment Plan during the 2011-12 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$23,067.07, 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.

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

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 and prescription drug coverage. 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 the cost of healthcare benefits for certain retired former employees (explicitly subsidized). In previous fiscal years, the Board offered various one-time early retirement incentives consisting of the payment of healthcare premiums for stated durations to employees electing to participate within the designated timelines. Additionally, in the 2011-12 fiscal year, the District made one-time payments totaling \$30,500 to four retirees in exchange for withdrawing from employer-provided insurance. This buyout is included as part of the OPEB Plan expense and liability. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. 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 recommendations of the Insurance Committee and 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, 82 retirees received other postemployment benefits. The District provided required contributions of \$188,500 toward the annual OPEB cost, net of retiree contributions totaling \$105,900, which represents 1.8 percent of covered payroll.

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

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)	\$ 50,600
Amortization of Unfunded Actuarial Accrued Liability	65,500
Immediate Recognition of Buyout Liability	30,500
Interest on Normal Cost and Amortization	<u>2,300</u>
Annual Required Contribution	148,900
Interest on Net OPEB Obligation	8,100
Adjustment to Annual Required Contribution	<u>(8,400)</u>
Annual OPEB Cost (Expense)	148,600
Contribution Toward the OPEB Cost	<u>(188,500)</u>
Decrease in Net OPEB Obligation	(39,900)
Net OPEB Obligation, Beginning of Year	<u>202,400</u>
Net OPEB Obligation, End of Year	<u><u>\$ 162,500</u></u>

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 preceding year, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010-11	\$ 287,400	68.0%	\$ 202,400
2011-12	148,600	126.9%	162,500

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$1,635,700, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,635,700 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$10,280,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.9 percent.

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

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 to estimate 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 payroll growth and general inflation rates of 2.5 percent per year and an annual healthcare cost trend rate of 10 percent initially for the 2011-12 fiscal year, decreasing at a rate of 0.5 percent to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized over 30 years on an open basis.

14. SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2012:

Major Funds			
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Total Governmental Funds
\$ 304,392	\$ 37,805	\$ 186,578	\$ 528,775

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

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Dixie County District School Board is a member of the North East Florida Educational Consortium (NEFEC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. NEFEC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for NEFEC is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for NEFEC.

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 10,000.00	\$ 60,000.00	\$ 55,915.43	\$ (4,084.57)
State	9,963,659.00	9,963,659.00	10,091,836.61	128,177.61
Local:				
Property Taxes	3,109,747.00	3,109,747.00	3,113,310.83	3,563.83
Miscellaneous	101,000.00	101,000.00	270,704.13	169,704.13
Total Local Revenues	<u>3,210,747.00</u>	<u>3,210,747.00</u>	<u>3,384,014.96</u>	<u>173,267.96</u>
Total Revenues	<u>13,184,406.00</u>	<u>13,234,406.00</u>	<u>13,531,767.00</u>	<u>297,361.00</u>
Expenditures				
Current - Education:				
Instruction	7,768,748.00	7,786,496.36	7,761,570.52	24,925.84
Pupil Personnel Services	777,000.00	729,000.00	728,603.53	396.47
Instructional Media Services	97,732.00	97,732.00	68,394.60	29,337.40
Instruction and Curriculum Development Services	391,000.00	391,000.00	364,492.02	26,507.98
Instructional Staff Training Services	282,900.00	293,900.00	293,391.90	508.10
Instruction Related Technology	357,650.00	394,458.00	390,879.39	3,578.61
School Board	266,500.00	266,500.00	234,106.09	32,393.91
General Administration	200,500.00	200,500.00	199,203.43	1,296.57
School Administration	883,500.00	930,500.00	926,796.25	3,703.75
Facilities Acquisition and Construction	20,000.00	20,000.00	394.00	19,606.00
Fiscal Services	451,700.00	501,700.00	500,929.92	770.08
Food Services	21,500.00	21,500.00	6,689.15	14,810.85
Central Services	41,500.00	41,500.00	30,942.49	10,557.51
Pupil Transportation Services	1,044,000.00	1,002,129.08	997,558.09	4,570.99
Operation of Plant	1,960,500.00	1,852,000.00	1,663,400.93	188,599.07
Maintenance of Plant	201,500.00	331,500.00	289,640.99	41,859.01
Administrative Technology Services	66,850.00	96,850.00	94,753.02	2,096.98
Fixed Capital Outlay:				
Other Capital Outlay		40,814.56	40,814.56	
Total Expenditures	<u>14,833,080.00</u>	<u>14,998,080.00</u>	<u>14,592,560.88</u>	<u>405,519.12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,648,674.00)</u>	<u>(1,763,674.00)</u>	<u>(1,060,793.88)</u>	<u>702,880.12</u>
Other Financing Sources				
Transfers In		115,000.00	114,179.20	(820.80)
Net Change in Fund Balances	<u>(1,648,674.00)</u>	<u>(1,648,674.00)</u>	<u>(946,614.68)</u>	<u>702,059.32</u>
Fund Balances, Beginning	3,731,952.00	3,732,072.00	3,732,072.43	0.43
Fund Balances, Ending	<u>\$ 2,083,278.00</u>	<u>\$ 2,083,398.00</u>	<u>\$ 2,785,457.75</u>	<u>\$ 702,059.75</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)
\$ 1,911,804.00	\$ 2,297,097.47	\$ 2,159,044.44	\$ (138,053.03)	\$	\$ 12,859.08	\$ 12,859.08	\$
		1,295.00	1,295.00				
		1,295.00	1,295.00				
1,911,804.00	2,297,097.47	2,160,339.44	(136,758.03)		12,859.08	12,859.08	
1,252,670.00	1,421,994.26	1,420,335.58	1,658.68				
130,086.00	149,657.00	148,442.80	1,214.20				
90,245.00	91,720.00	91,380.34	339.66				
280,793.00	263,095.24	186,312.31	76,782.93		7,226.08	7,226.08	
8,386.00	189,072.00	178,431.27	10,640.73				
101,078.00	82,892.09	82,238.92	653.17		5,633.00	5,633.00	
48,546.00	73,171.29	26,407.63	46,763.66				
	25,495.59	25,495.59					
1,911,804.00	2,297,097.47	2,159,044.44	138,053.03		12,859.08	12,859.08	
		1,295.00	1,295.00				
		1,295.00	1,295.00				
\$ 0.00	\$ 0.00	\$ 1,295.00	\$ 1,295.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (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	\$ 3,543,000	\$ 3,543,000	0.0%	\$ 10,960,000	32.3%
July 1, 2011	0	1,635,700	1,635,700	0.0%	10,280,000	15.9%

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

**DIXIE 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 \$1,635,700 was significantly lower than the July 1, 2009, liability of \$3,543,000 as a result of benefit changes and other changes in liabilities and costs as discussed below:
- The retirement and termination rate tables were updated to the rates used by the FRS rates for regular employees for the July 1, 2010, valuation.
 - The mortality table was updated from the 2007 Current Liability Mortality Table to the RP-2000 Full Generational Combined Mortality Table, sex-distinct, using Scale AA.
 - The claim costs were updated based on the most recently available plan premium rates.
 - In the valuation performed July 1, 2009, it was assumed that there was a cost associated with the cost of the benefits provided to Medicare eligible retirees. In this valuation, the retiree contribution rates for post-65 retirees were projected to be sufficient to cover the true cost of the post-65 medical coverage; therefore, no employer liabilities for post-65 medical benefits (other than for special incentive retirees receiving explicit subsidies) were included. Similarly, dental and vision benefits were no longer valued (other than for special incentive retirees receiving explicit subsidies) because the retiree contributions required for this coverage are believed to be sufficient to cover the cost of the benefit.
 - Four retirees received a one-time payment during the fiscal year ending June 30, 2012, totaling \$30,500 and will no longer be on employer-provided insurance. This arrangement is referred to as the “buyout” and the retirees are referred to as the “buyout retirees” throughout the OPEB actuarial report. The beginning-of-year liability shown on the report reflects the buyout; the liability for the buyout (equal to \$30,500) is included as part of the ARC for the fiscal year ending June 30, 2012 (not amortized).

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**DIXIE 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	\$ 104,942.46
National School Lunch Program	10.555	300, 350	268,170.85
Summer Food Service Program for Children	10.559	323	13,591.14
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	138,951.60
National School Lunch Program	10.555 (2)	300, 350	424,431.41
Summer Food Service Program for Children	10.559	323	5,883.07
Total United States Department of Agriculture			955,970.53
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	599,636.19
Special Education - Preschool Grants	84.173	267	68,553.94
Columbia County District School Board:			
Special Education - Grants to States	84.027	None	5,000.00
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	2,426.48
Total Special Education Cluster			675,616.61
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	49,761.63
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	981,354.81
Career and Technical Education - Basic Grants to States	84.048	161	52,025.73
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	2,767.81
Education Technology State Grants	84.318	122	198,100.68
Rural Education	84.358	110	59,615.83
Improving Teacher Quality State Grants	84.367	224	147,227.82
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RG311	7,226.08
Education Jobs Fund	84.410	541	5,633.00
Total United States Department of Education			2,179,330.00
Total Expenditures of Federal Awards			\$ 3,135,300.53

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

(2) Noncash Assistance - National School Lunch Program. Includes \$67,991.55 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Dixie County District School Board as of and for the fiscal year ended June 30, 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 and the aggregate discretely presented component units, as described in our report on the Dixie County District School Board's financial statements. For the school internal funds and the aggregate discretely presented component units, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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
February 5, 2013



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the Dixie County District School Board's compliance with the types of compliance requirements described in the *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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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
February 5, 2013

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

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

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

The FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2011-12 fiscal year, the District reported to the FDOE 1,569 adult general education instructional contact hours for 28 students enrolled in 33 classes. To determine the propriety of hours reported, we tested 11 students enrolled in 17 adult general education classes for 641 hours and noted that the District overreported 100 hours for 5 students enrolled in 9 classes. District personnel indicated that the reporting errors occurred mainly because District personnel incorrectly input enrollment and withdrawal dates into the student data system. The District also transitioned to a new student data system and District personnel were unfamiliar with the new system.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the data be submitted correctly. A similar finding was noted in our report No. 2012-128.

Recommendation: The District should enhance its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE.

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 written security incident operating procedures during the 2011-12 fiscal year, the procedures 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. 2012-128.

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. 2012-128.

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: Information Technology – Written Policies and Procedures

Each information technology 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 monitoring end-user workstation administrative rights and monitoring and reviewing logs of system events. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in in our report Nos. 2011-131 and 2012-128.

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2012-128. 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
1	Audit Report No. 2012-128, Finding No. 2	NA
2	Audit Report No. 2012-128, Finding No. 5	NA
3	Audit Report No. 2012-128, Finding No. 4	NA
4	Audit Report No. 2012-128, Finding No. 3	Audit Report No. 2011-131 Finding No. 6

NA – Not Applicable

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*DIXIE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 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
2012-128		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

DIXIE DISTRICT SCHOOLS

16077 NE 19 Highway
Cross City, Florida 32628-0890
Phone (352) 498-6131
FAX (352) 498-1308
Mark A. Rains, Superintendent
www.dixie.k12.fl.us

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

Chairman of Board
Timothy Alexander
Vice Chairman of Board
Cheryl Pridgeon



Board Members
Chuck Farmer
Paul Gainey
Dwayne Rollison

January 30, 2013

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

Dear Mr. Martin,

Pursuant to Section 11.45(4)(d), Florida Statutes, we are required to submit to you a written statement of explanation concerning all of the findings, including our actual and proposed corrective actions. Below is our response to the preliminary and tentative audit findings and recommendations in your audit for fiscal year ended June 30, 2012.

Finding 1: Adult General Education Classes. We are enhancing efforts to accurately report instructional contract hours for adult general education in accordance with FDOE instructional hours reporting procedures. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Finding 2: Information Technology – Security Incident Response Plan. We will enhance the district's written security incident response plan to provide reasonable assurance that the District will respond in a timely and appropriate manner to events, should they occur, that may jeopardize the confidentiality, integrity, or availability of data and IT resources. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Finding 3: Information Technology – Security Controls– Data Loss Prevention. We will improve security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Finding 4: Information Technology – Written Policies and Procedures. We are continuing to address and write policies, plans, and procedures for all areas of the IT operation. With limited staff resources, this effort continues to be accomplished as time permits. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Respectfully,

Mark A. Rains
Mark A. Rains, Superintendent
Dixie District Schools

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