

**TAYLOR COUNTY  
DISTRICT SCHOOL BOARD**

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**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>
Danny Glover Jr.	1
Brenda H. Carlton, Chair	2
Darrell Whiddon	3
Danny Lundy, Vice Chair	4
Kenneth R. Dennis	5

Paul E. Dyal, Superintendent

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

The audit team leader was Cheryl B. Buchanan, CPA, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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## EXECUTIVE SUMMARY

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### 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 Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

**Finding No. 2:** 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. 3:** District information technology security controls related to data loss prevention needed improvement.

**Finding No. 4:** Contrary to the requirements of the State of Florida *General Records Schedule*, the District did not retain some application access control records.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, Special Education Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

### Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2012-163.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Taylor County District School Board, as of and for the fiscal year ended June 30, 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 13 percent of the assets and 56 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Taylor County Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Taylor County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (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  
March 11, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Taylor County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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:

- In total, net assets increased \$1,085,297.30, which represents a 3.1 percent increase over the 2010-11 fiscal year.
- General revenues total \$26,491,611.88, or 92.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,237,769.88, or 7.8 percent of all revenues.
- Expenses total \$27,644,084.46. Only \$2,237,769.88 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- The unassigned fund balance of the General Fund, which is available for general appropriation by the Board, totals \$4,168,839.20 at June 30, 2012, or 21.3 percent of total General Fund expenditures.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### **Government-wide Financial Statements**

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

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

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

information for this component unit is reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, 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.

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

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

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

**Notes to Financial Statements**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<b>Net Assets, End of Year</b>	
	Governmental	
	Activities	
	6-30-12	6-30-11
Current and Other Assets	\$11,865,301.09	\$10,007,881.40
Capital Assets	29,900,996.27	30,818,568.89
<b>Total Assets</b>	<b>41,766,297.36</b>	<b>40,826,450.29</b>
Long-Term Liabilities	3,317,139.59	3,346,078.07
Other Liabilities	2,078,608.76	2,195,120.51
<b>Total Liabilities</b>	<b>5,395,748.35</b>	<b>5,541,198.58</b>
Net Assets:		
Invested in Capital Assets	29,900,996.27	30,818,568.89
Restricted	4,620,374.46	4,077,151.36
Unrestricted	1,849,178.28	389,531.46
<b>Total Net Assets</b>	<b>\$36,370,549.01</b>	<b>\$35,285,251.71</b>

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

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

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

	<b>Operating Results for the Fiscal Year Ended</b>	
	Governmental	
	Activities	
	6-30-12	6-30-11
<b>Program Revenues:</b>		
Charges for Services	\$ 710,263.91	\$ 726,562.61
Operating Grants and Contributions	1,266,178.28	1,249,375.09
Capital Grants and Contributions	261,327.69	780,969.83
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	7,380,422.92	7,963,150.12
Property Taxes, Levied for Capital Projects	1,809,307.24	1,937,107.38
Grants and Contributions Not Restricted to Specific Programs	16,996,335.27	20,229,312.45
Unrestricted Investment Earnings	46,918.25	17,794.92
Miscellaneous	258,628.20	346,682.62
<b>Total Revenues</b>	<b>28,729,381.76</b>	<b>33,250,955.02</b>
<b>Functions/Program Expenses:</b>		
Instruction	12,374,024.50	14,403,391.09
Pupil Personnel Services	1,570,740.26	1,639,746.33
Instructional Media Services	194,586.37	272,381.82
Instruction and Curriculum Development Services	1,045,870.76	1,152,477.10
Instructional Staff Training Services	268,611.27	396,001.26
Instruction Related Technology	158,325.66	180,482.65
School Board	245,433.33	251,186.62
General Administration	431,873.60	458,752.53
School Administration	1,630,021.39	1,773,200.23
Facilities Acquisition and Construction	1,015,524.95	814,046.83
Fiscal Services	371,255.81	407,655.42
Food Services	1,491,314.01	1,509,446.24
Central Services	357,419.76	316,895.12
Pupil Transportation Services	1,764,068.29	1,972,058.35
Operation of Plant	2,445,027.85	2,264,974.61
Maintenance of Plant	225,073.99	566,409.90
Administrative Technology Services	205,562.74	186,400.70
Community Services	515,871.31	590,366.01
Unallocated Depreciation Expense	1,333,478.61	1,253,403.07
Loss on Disposal of Capital Assets		51,603.70
<b>Total Functions/Program Expenses</b>	<b>27,644,084.46</b>	<b>30,460,879.58</b>
<b>Increase in Net Assets</b>	<b>\$ 1,085,297.30</b>	<b>\$ 2,790,075.44</b>

The largest revenue source is the State of Florida (42.2 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula

utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues decreased by \$3,232,977.18, or 16 percent, primarily due to a decrease in Federal stimulus revenue.

Property tax collected for operational purposes decreased by \$582,727.20, or 7.3 percent. This occurred primarily because of a decrease in the required local effort millage rate.

As a result of a decrease in revenues, instruction expenses were decreased accordingly.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$4,168,839.20, while the total fund balance is \$4,411,459.19. The unassigned fund balance increased by \$784,500.76, while the total fund balance increased by \$800,782.21 during the fiscal year. A key factor impacting this increase was the reduction in total expenditures, due primarily to budgetary restrictions.

The Special Revenue – Other Fund has total revenues and expenditures of \$4,289,681.21 each, and the Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$455,696.15 each. The resources of these special revenue funds were mainly used for instruction and instructional support and, because revenues for grants are not recognized until expenditures are incurred, these funds generally do not accumulate fund balances. For the Special Revenue - Federal Economic Stimulus Fund, revenues were generally only received for a two-year period, resulting in the reduction of revenues and expenditures each from \$2,902,363.90 in the prior fiscal year to \$455,696.15 in the current fiscal year.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$3,633,965.90, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$412,906.04 in the current fiscal year compared to a decrease of \$119,941.25 in the prior fiscal year. The current year expenditures decreased primarily because of large bus and other equipment purchases made during the preceding fiscal year. It should be noted that \$487,637.24 of fund balance has been encumbered for specific projects.

### **Proprietary Funds**

Unrestricted net assets of the internal service fund total \$897,620.44 at June 30, 2012, an increase of \$707,396.85. This increase occurred primarily because of lower than expected insurance claims and administrative expenses.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2011-12 fiscal year, the District amended its General Fund budget several times, however, final budgeted amounts were in line with original budgeted amounts.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are \$514,968.81, or 2.6 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$806,903.04.

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## **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 \$29,900,996.27 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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 had no long-term debt outstanding.

## **OTHER MATTERS OF SIGNIFICANCE**

Approximately 60.5 percent of total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds, and activities of the District. Changes in the levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which in turn will affect District revenue streams.

## **REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 10,435,751.32	\$ 33,529.00
Investments	58,213.81	67,555.00
Due from Other Agencies	1,202,416.83	
Prepaid Tuition		26,895.00
Inventories	168,919.13	
Capital Assets:		
Nondepreciable Capital Assets	1,102,835.82	
Depreciable Capital Assets, Net	<u>28,798,160.45</u>	
<b>TOTAL ASSETS</b>	<u>\$ 41,766,297.36</u>	<u>\$ 127,979.00</u>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 1,266,667.26	\$
Payroll Deductions and Withholdings	308,297.50	
Accounts Payable	125,871.43	
Due to Other Agencies	261,237.36	
Deferred Revenue	11,590.21	
Estimated Insurance Claims Payable	104,945.00	
Long-Term Liabilities:		
Portion Due Within One Year	295,895.22	
Portion Due After One Year	<u>3,021,244.37</u>	
<b>Total Liabilities</b>	<u>5,395,748.35</u>	
<b>NET ASSETS</b>		
Invested in Capital Assets	29,900,996.27	
Restricted for:		
State Required Carryover Programs	142,761.76	
Capital Projects	4,119,974.42	
Food Service	357,638.28	
Other Purposes		48,124.00
Unrestricted	<u>1,849,178.28</u>	<u>79,855.00</u>
<b>Total Net Assets</b>	<u>36,370,549.01</u>	<u>127,979.00</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 41,766,297.36</u>	<u>\$ 127,979.00</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 12,374,024.50	\$ 334,888.47	\$	\$
Pupil Personnel Services	1,570,740.26			
Instructional Media Services	194,586.37			
Instruction and Curriculum Development Services	1,045,870.76			
Instructional Staff Training Services	268,611.27			
Instruction Related Technology	158,325.66			
School Board	245,433.33			
General Administration	431,873.60			
School Administration	1,630,021.39			
Facilities Acquisition and Construction	1,015,524.95			261,327.69
Fiscal Services	371,255.81			
Food Services	1,491,314.01	345,856.24	1,266,178.28	
Central Services	357,419.76			
Pupil Transportation Services	1,764,068.29	29,519.20		
Operation of Plant	2,445,027.85			
Maintenance of Plant	225,073.99			
Administrative Technology Services	205,562.74			
Community Services	515,871.31			
Unallocated Depreciation Expense*	1,333,478.61			
<b>Total Primary Government</b>	<b>\$ 27,644,084.46</b>	<b>\$ 710,263.91</b>	<b>\$ 1,266,178.28</b>	<b>\$ 261,327.69</b>
<b>Component Unit</b>				
Taylor County Education Foundation, Inc.	\$ 4,462.00	\$ 0.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Assets**

Net Assets - Beginning

**Net Assets - Ending**

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

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit
\$ (12,039,136.03)	\$
(1,570,740.26)	
(194,586.37)	
(1,045,870.76)	
(268,611.27)	
(158,325.66)	
(245,433.33)	
(431,873.60)	
(1,630,021.39)	
(754,197.26)	
(371,255.81)	
120,720.51	
(357,419.76)	
(1,734,549.09)	
(2,445,027.85)	
(225,073.99)	
(205,562.74)	
(515,871.31)	
(1,333,478.61)	
<u>(25,406,314.58)</u>	
	<u>(4,462.00)</u>
7,380,422.92	
1,809,307.24	
16,996,335.27	
46,918.25	653.00
<u>258,628.20</u>	<u>5,603.00</u>
<u>26,491,611.88</u>	<u>6,256.00</u>
1,085,297.30	1,794.00
<u>35,285,251.71</u>	<u>126,185.00</u>
<u>\$ 36,370,549.01</u>	<u>\$ 127,979.00</u>

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

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Economic Stimulus Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,502,255.82	\$	\$
Investments	11,649.94		
Due from Other Funds	433,874.68		
Due from Other Agencies	67,538.20	746,213.32	49,638.60
Inventories	59,978.53		
	<u>59,978.53</u>		
<b>TOTAL ASSETS</b>	<u>\$ 6,075,297.17</u>	<u>\$ 746,213.32</u>	<u>\$ 49,638.60</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 1,024,558.60	\$ 190,334.08	\$ 1,317.40
Payroll Deductions and Withholdings	247,933.69	48,106.09	274.78
Accounts Payable	41,718.95	32,498.44	6,275.09
Due to Other Funds	138,092.06	424,332.86	41,521.93
Due to Other Agencies	211,534.68	39,351.64	249.40
Deferred Revenue		11,590.21	
	<u>1,663,837.98</u>	<u>746,213.32</u>	<u>49,638.60</u>
<b>Total Liabilities</b>			
Fund Balances:			
Nonspendable:			
Inventory	59,978.53		
Restricted for:			
State Required Carryover Programs	142,761.76		
Food Service			
Capital Projects			
Total Restricted Fund Balance	<u>142,761.76</u>		
Assigned to:			
Board Approved Budget Items	39,879.70		
Unassigned Fund Balance	4,168,839.20		
	<u>4,111,459.19</u>		
<b>Total Fund Balances</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,075,297.17</u>	<u>\$ 746,213.32</u>	<u>\$ 49,638.60</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,602,572.13 46,563.87	\$ 483,477.00	\$ 9,588,304.95 58,213.81 433,874.68
	339,026.71 108,940.60	1,202,416.83 168,919.13
<u>\$ 3,649,136.00</u>	<u>\$ 931,444.31</u>	<u>\$ 11,451,729.40</u>
\$ 15,170.10	\$ 50,457.18 11,982.94 5,613.37 9,642.38 10,101.64	\$ 1,266,667.26 308,297.50 101,275.95 613,589.23 261,237.36 11,590.21
<u>15,170.10</u>	<u>87,797.51</u>	<u>2,562,657.51</u>
	108,940.60	168,919.13
		142,761.76 248,697.68
3,633,965.90 <u>3,633,965.90</u>	248,697.68 486,008.52 <u>734,706.20</u>	4,119,974.42 <u>4,511,433.86</u>
		39,879.70 <u>4,168,839.20</u>
<u>3,633,965.90</u>	<u>843,646.80</u>	<u>8,889,071.89</u>
<u>\$ 3,649,136.00</u>	<u>\$ 931,444.31</u>	<u>\$ 11,451,729.40</u>

**TAYLOR 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** \$ 8,889,071.89

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. 29,900,996.27

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 897,620.44

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:

Compensated Absences Payable	\$ 2,780,046.59	
Other Postemployment Benefits Payable	537,093.00	(3,317,139.59)

**Total Net Assets - Governmental Activities** \$ 36,370,549.01

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 66,466.65	\$ 1,477,960.37	\$
Federal Through State and Local State	357,777.37	2,811,719.36	455,696.15
	11,827,919.67		
Local:			
Property Taxes	7,380,422.92		
Charges for Services - Food Service			
Miscellaneous	677,103.30	1.48	
Total Local Revenues	8,057,526.22	1.48	
<b>Total Revenues</b>	<b>20,309,689.91</b>	<b>4,289,681.21</b>	<b>455,696.15</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	10,137,379.84	2,503,482.69	104,465.84
Pupil Personnel Services	1,192,706.80	397,051.40	11,750.67
Instructional Media Services	200,210.99		819.94
Instruction and Curriculum Development Services	768,777.17	264,194.97	47,541.10
Instructional Staff Training Services	24,080.69	103,531.60	147,219.99
Instruction Related Technology	125,671.26	3,535.44	33,156.55
School Board	250,221.06		
General Administration	286,550.49	146,527.90	4,374.01
School Administration	1,531,792.53	137,519.55	14,402.04
Facilities Acquisition and Construction		35,907.89	
Fiscal Services	380,602.15		
Food Services	14,160.91	17,658.95	
Central Services	270,340.38	5,978.13	88,297.36
Pupil Transportation Services	1,428,316.58	94,653.60	
Operation of Plant	2,402,388.62	65,217.62	
Maintenance of Plant	227,706.85		
Administrative Technology Services	210,122.13		
Community Services	98,162.70	422,697.45	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	23,348.34	91,724.02	3,668.65
<b>Total Expenditures</b>	<b>19,572,539.49</b>	<b>4,289,681.21</b>	<b>455,696.15</b>
<b>Excess of Revenues Over Expenditures</b>	<b>737,150.42</b>		
<b>Other Financing Sources (Uses)</b>			
Transfers In	180,409.00		
Transfers Out	(116,777.21)		
<b>Total Other Financing Sources (Uses)</b>	<b>63,631.79</b>		
<b>Net Change in Fund Balances</b>	<b>800,782.21</b>		
Fund Balances, Beginning	3,610,676.98		
<b>Fund Balances, Ending</b>	<b>\$ 4,411,459.19</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	1,240,495.28	1,544,427.02
	285,806.39	4,865,688.16
		12,113,726.06
1,809,307.24		9,189,730.16
	345,856.24	345,856.24
9,501.67	147.86	686,754.31
<u>1,818,808.91</u>	<u>346,004.10</u>	<u>10,222,340.71</u>
<u>1,818,808.91</u>	<u>1,872,305.77</u>	<u>28,746,181.95</u>
		12,745,328.37
		1,601,508.87
		201,030.93
		1,080,513.24
		274,832.28
		162,363.25
		250,221.06
		437,452.40
		1,683,714.12
524,406.50	1,479,850.64	2,040,165.03
		380,602.15
		31,819.86
		364,615.87
		1,522,970.18
394,735.80		2,467,606.24
		622,442.65
		210,122.13
		520,860.15
306,351.57	339,608.79	645,960.36
		118,741.01
<u>1,225,493.87</u>	<u>1,819,459.43</u>	<u>27,362,870.15</u>
<u>593,315.04</u>	<u>52,846.34</u>	<u>1,383,311.80</u>
		180,409.00
(180,409.00)		(297,186.21)
(180,409.00)		(116,777.21)
412,906.04	52,846.34	1,266,534.59
3,221,059.86	790,800.46	7,622,537.30
<u>\$ 3,633,965.90</u>	<u>\$ 843,646.80</u>	<u>\$ 8,889,071.89</u>

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

**Net Change in Fund Balances - Governmental Funds** \$ 1,266,534.59

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. (900,772.42)

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 fiscal year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (16,800.20)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 153,226.48

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (124,288.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 707,396.85

**Change in Net Assets - Governmental Activities** \$ 1,085,297.30

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

**TAYLOR COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
June 30, 2012**

	Governmental Activities - Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 847,446.37
Due From Other Funds	<u>179,714.55</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,027,160.92</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 24,595.48
Estimated Insurance Claims Payable	<u>104,945.00</u>
<b>Total Liabilities</b>	<b><u>129,540.48</u></b>
<b>NET ASSETS</b>	
Unrestricted	<u>897,620.44</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,027,160.92</u></b>

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

**TAYLOR COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>	
Premium Revenues	\$ 2,346,496.64
<b>OPERATING EXPENSES</b>	
Insurance Claims	1,222,855.47
Insurance Premiums	529,275.06
Purchased Services	2,859.43
Administrative Expenses	1,810.32
<b>Total Operating Expenses</b>	1,756,800.28
<b>Operating Income</b>	589,696.36
<b>NONOPERATING REVENUES</b>	
Interest Revenue	923.28
<b>Income Before Transfers</b>	590,619.64
Transfers In	116,777.21
<b>Change in Net Assets</b>	707,396.85
Net Assets - Beginning	190,223.59
<b>Net Assets - Ending</b>	\$ 897,620.44

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

**TAYLOR COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Premiums	\$ 2,166,782.09
Cash Payments to Suppliers for Goods and Services	(827,274.29)
Cash Payments to Employees for Services	(2,858.43)
Cash Payments for Insurance Claims	(1,222,855.47)
	113,793.90
<b>Net Cash Provided by Operating Activities</b>	<b>113,793.90</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from Other Funds	116,777.21
	116,777.21
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>116,777.21</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	923.28
	923.28
<b>Net Cash Provided by Investing Activities</b>	<b>923.28</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>231,494.39</b>
Cash and Cash Equivalents, Beginning	615,951.98
	\$ 847,446.37

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

Operating Income	\$ 589,696.36
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Due from Other Funds	(179,714.55)
Decrease in Accounts Payable	(296,187.91)
	(475,902.46)
<b>Total Adjustments</b>	<b>(475,902.46)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 113,793.90</b>

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

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 280,994.70</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	<u>\$ 280,994.70</u>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Basis of Presentation:**

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

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, and motor vehicle (bus) purchases.

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

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized

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

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.

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

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

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

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

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

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

**Long-Term Liabilities.** Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. In the governmental fund financial statements, long-term obligations are not recognized as liabilities until due.

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

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

**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

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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 unspent balance of categorical and earmarked educational program resources.

The District received an allocation under the Classrooms First program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

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

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

The Board adopted the 2011 tax levy on September 6, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

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**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	\$ 141,086.99
Fund B	5.73 Year Average	58,213.81
Total Investments, Primary Government		<u>\$ 199,300.80</u>

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated

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at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

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

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 864,763.41	\$	\$	\$ 864,763.41
Land Improvements	238,072.41			238,072.41
Construction in Progress	60,420.00		60,420.00	
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,163,255.82</b>		<b>60,420.00</b>	<b>1,102,835.82</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	276,035.76			276,035.76
Buildings and Fixed Equipment	40,800,924.41	254,705.50		41,055,629.91
Furniture, Fixtures, and Equipment	5,846,395.51	271,590.87	714,227.24	5,403,759.14
Motor Vehicles	4,123,816.98	238,405.00		4,362,221.98
Audio Visual Materials and Computer Software	92,046.57			92,046.57
<b>Total Capital Assets Being Depreciated</b>	<b>51,139,219.23</b>	<b>764,701.37</b>	<b>714,227.24</b>	<b>51,189,693.36</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	19,822.15	13,801.79		33,623.94
Buildings and Fixed Equipment	15,217,003.23	751,233.50		15,968,236.73
Furniture, Fixtures, and Equipment	3,536,119.05	551,264.74	697,427.04	3,389,956.75
Motor Vehicles	2,630,184.32	283,251.31		2,913,435.63
Audio Visual Materials and Computer Software	80,777.41	5,502.45		86,279.86
<b>Total Accumulated Depreciation</b>	<b>21,483,906.16</b>	<b>1,605,053.79</b>	<b>697,427.04</b>	<b>22,391,532.91</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>29,655,313.07</b>	<b>(840,352.42)</b>	<b>16,800.20</b>	<b>28,798,160.45</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 30,818,568.89</b>	<b>\$ (840,352.42)</b>	<b>\$ 77,220.20</b>	<b>\$ 29,900,996.27</b>

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Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 271,575.18
Unallocated	<u>1,333,478.61</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,605,053.79</u></u>

**5. CHANGES IN LONG-TERM LIABILITIES**

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 2,933,273.07	\$ 66,402.60	\$ 219,629.08	\$ 2,780,046.59	\$ 295,895.22
Other Postemployment Benefits Payable	<u>412,805.00</u>	<u>259,008.00</u>	<u>134,720.00</u>	<u>537,093.00</u>	
 Total Governmental Activities	 <u><u>\$ 3,346,078.07</u></u>	 <u><u>\$ 325,410.60</u></u>	 <u><u>\$ 354,349.08</u></u>	 <u><u>\$ 3,317,139.59</u></u>	 <u><u>\$ 295,895.22</u></u>

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

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 433,874.68	\$ 138,092.06
Special Revenue:		
Other		424,332.86
Federal Economic Stimulus		41,521.93
Nonmajor Governmental		9,642.38
Internal Service	<u>179,714.55</u>	
 Total	 <u><u>\$ 613,589.23</u></u>	 <u><u>\$ 613,589.23</u></u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 180,409.00	\$ 116,777.21
Capital Projects:		
Local Capital Improvement		180,409.00
Internal Service	116,777.21	
Total	\$ 297,186.21	\$ 297,186.21

The transfer to the General Fund was made to move restricted revenues to offset property and casualty insurance premiums.

**7. 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.
- **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 Superintendent and Finance Director as authorized by Board Policy 9.10 and not included in other categories.

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➤ Unassigned

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

**8. SCHEDULE OF STATE REVENUE SOURCES**

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 6,878,654.00
Categorical Educational Program - Class Size Reduction	2,812,559.00
Workforce Development Program	1,438,354.00
Voluntary Prekindergarten Program	308,812.33
Classrooms First	130,743.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	124,468.64
School Recognition	51,350.00
Food Service Supplement	25,683.00
Miscellaneous	343,102.09
	<hr/>
Total	<u><u>\$ 12,113,726.06</u></u>

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

**9. PROPERTY TAXES**

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.125	\$ 6,385,016.29
Basic Discretionary Local Effort	0.748	931,900.91
Critical Operating Needs	0.250	311,464.21
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,868,785.25
Total	<u><u>7.623</u></u>	<u><u>\$ 9,497,166.66</u></u>

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**10. 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 Florida Retirement System 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 Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

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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
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 \$1,571,820.80, \$1,627,413.80, and \$1,078,155.20, respectively, which were equal to the required contributions for each fiscal year.

There were 40 District participants in the Investment Plan during the 2011-12 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$97,430.92, 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.

**11. 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. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not

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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, 38 retirees received other postemployment benefits. The District provided required contributions of \$134,720 toward the annual OPEB cost, net of retiree contributions totaling \$262,579, which represents 2.9 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 104,466
Amortization of Unfunded Actuarial Accrued Liability	<u>162,880</u>
Annual Required Contribution	267,346
Interest on Net OPEB Obligation	15,480
Adjustment to Annual Required Contribution	<u>(23,818)</u>
Annual OPEB Cost (Expense)	259,008
Contribution Toward the OPEB Cost	<u>(134,720)</u>
Increase in Net OPEB Obligation	124,288
Net OPEB Obligation, Beginning of Year	<u>412,805</u>
Net OPEB Obligation, End of Year	<u><u>\$ 537,093</u></u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 317,064	54.35%	\$ 296,413
2010-11	250,359	53.51%	412,805
2011-12	259,008	52.01%	537,093

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

Actuarial valuations of an ongoing 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 October 1, 2010, used the entry age normal cost actuarial 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 3.75 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent beginning October 1, 2010, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after October 1, 2020. The investment rate of return and payroll growth rate include a general price inflation rate of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 17 years.

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**12. SIGNIFICANT COMMITMENTS**

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

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

<b>Major Funds</b>					
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 39,879.70</u>	<u>\$ 33,189.46</u>	<u>\$ 94.50</u>	<u>\$ 487,637.24</u>	<u>\$ 112,026.76</u>	<u>\$ 672,827.66</u>

**13. RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Taylor County District School Board has established self-insurance programs for its employee health and hospitalization coverage. For its other insurance coverage, the Board is a member of the Florida School Board Insurance Trust (FSBIT) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the FSBIT. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The FSBIT is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. If a member district withdraws or terminates participation in the FSBIT, and its claims exceed loss fund contributions from premiums paid, the FSBIT may request additional funds or return the open claims to the member district. The Board of Directors for the FSBIT is mainly composed of board members and a district-level business officer selected from participating districts. The District reports financial transactions related to these types of insurance coverage in the General Fund.

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

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

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2010-11	\$ 104,945	\$ 1,391,216	\$ (1,391,216)	\$ 104,945
2011-12	104,945	1,222,855	(1,222,855)	104,945

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 56,900.00	\$ 56,900.00	\$ 66,466.65	\$ 9,566.65
Federal Through State and Local	65,000.00	12,650.00	357,777.37	345,127.37
State	12,060,761.00	11,783,992.68	11,827,919.67	43,926.99
Local:				
Property Taxes	7,310,022.00	7,310,022.00	7,380,422.92	70,400.92
Miscellaneous	424,000.00	1,034,600.00	677,103.30	(357,496.70)
Total Local Revenues	<u>7,734,022.00</u>	<u>8,344,622.00</u>	<u>8,057,526.22</u>	<u>(287,095.78)</u>
<b>Total Revenues</b>	<u>19,916,683.00</u>	<u>20,198,164.68</u>	<u>20,309,689.91</u>	<u>111,525.23</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	10,260,449.23	10,392,837.65	10,137,379.84	255,457.81
Pupil Personnel Services	1,242,239.99	1,210,896.37	1,192,706.80	18,189.57
Instructional Media Services	189,654.06	200,637.86	200,210.99	426.87
Instruction and Curriculum Development Services	762,774.47	805,570.58	768,777.17	36,793.41
Instructional Staff Training Services	26,328.07	51,684.79	24,080.69	27,604.10
Instruction Related Technology	110,324.25	125,924.89	125,671.26	253.63
School Board	241,205.30	251,231.22	250,221.06	1,010.16
General Administration	291,294.76	300,526.48	286,550.49	13,975.99
School Administration	1,500,875.40	1,559,155.95	1,531,792.53	27,363.42
Facilities Acquisition and Construction				
Fiscal Services	370,186.13	388,597.33	380,602.15	7,995.18
Food Services	5,438.91	14,160.91	14,160.91	
Central Services	367,962.41	271,175.64	270,340.38	835.26
Pupil Transportation Services	1,370,162.16	1,434,722.42	1,428,316.58	6,405.84
Operation of Plant	2,771,117.57	2,504,924.74	2,402,388.62	102,536.12
Maintenance of Plant	228,878.26	235,880.16	227,706.85	8,173.31
Administrative Technology Services	204,452.14	210,319.78	210,122.13	197.65
Community Services	63,000.00	105,821.78	98,162.70	7,659.08
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	23,439.75	23,439.75	23,348.34	91.41
<b>Total Expenditures</b>	<u>20,029,782.86</u>	<u>20,087,508.30</u>	<u>19,572,539.49</u>	<u>514,968.81</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(113,099.86)</u>	<u>110,656.38</u>	<u>737,150.42</u>	<u>626,494.04</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	335,000.00		180,409.00	180,409.00
Transfers Out		(116,777.21)	(116,777.21)	
<b>Total Other Financing Sources (Uses)</b>	<u>335,000.00</u>	<u>(116,777.21)</u>	<u>63,631.79</u>	<u>180,409.00</u>
<b>Net Change in Fund Balances</b>	<u>221,900.14</u>	<u>(6,120.83)</u>	<u>800,782.21</u>	<u>806,903.04</u>
Fund Balances, Beginning	<u>3,622,217.12</u>	<u>3,610,676.98</u>	<u>3,610,676.98</u>	
<b>Fund Balances, Ending</b>	<u>\$ 3,844,117.26</u>	<u>\$ 3,604,556.15</u>	<u>\$ 4,411,459.19</u>	<u>\$ 806,903.04</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)
\$ 1,794,312.70	\$ 1,724,473.69	\$ 1,477,960.37	\$ (246,513.32)	\$ 356,587.09	\$ 316,638.19	\$ 455,696.15	\$ 139,057.96
2,945,871.20	3,363,739.35	2,811,719.36	(552,019.99)		168,275.31		(168,275.31)
	83,393.76		(83,393.76)				
		1.48	1.48				
		1.48	1.48				
4,740,183.90	5,171,606.80	4,289,681.21	(881,925.59)	356,587.09	484,913.50	455,696.15	(29,217.35)
3,065,656.01	2,866,356.86	2,503,482.69	362,874.17	97,630.45	104,947.14	104,465.84	481.30
574,744.68	502,907.38	397,051.40	105,855.98	1,213.89	11,750.67	11,750.67	
					819.94	819.94	
317,928.75	317,781.32	264,194.97	53,586.35	12,976.95	47,543.52	47,541.10	2.42
157,293.66	230,279.43	103,531.60	126,747.83	167,738.58	151,252.73	147,219.99	4,032.74
6,242.54	6,295.14	3,535.44	2,759.70	55,339.74	40,114.63	33,156.55	6,958.08
175,857.90	196,318.89	146,527.90	49,790.99	4,486.83	8,598.57	4,374.01	4,224.56
135,636.45	149,534.97	137,519.55	12,015.42	13,233.64	14,459.32	14,402.04	57.28
15,500.00	58,958.78	35,907.89	23,050.89				
31,200.00	33,630.55	17,658.95	15,971.60				
3,999.80	10,094.92	5,978.13	4,116.79	3,967.01	103,808.10	88,297.36	15,510.74
153,203.02	112,560.98	94,653.60	17,907.38				
97,421.09	116,243.18	65,217.62	51,025.56				
5,500.00	426,444.49	422,697.45	3,747.04				
160,124.91	160,124.91	91,724.02	68,400.89	4,343.99	4,343.99	3,668.65	675.34
4,900,308.81	5,187,531.80	4,289,681.21	897,850.59	360,931.08	487,638.61	455,696.15	31,942.46
(160,124.91)	(15,925.00)		15,925.00	(4,343.99)	(2,725.11)		2,725.11
(160,124.91)	(15,925.00)		15,925.00	(4,343.99)	(2,725.11)		2,725.11
\$ (160,124.91)	\$ (15,925.00)	\$ 0.00	\$ 15,925.00	\$ (4,343.99)	\$ (2,725.11)	\$ 0.00	\$ 2,725.11

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (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]
October 1, 2007	\$ 0	\$ 3,248,975	\$ 3,248,975	0.00%	\$ 11,110,240	29.24%
October 1, 2010	0	2,825,064	2,825,064	0.00%	9,189,143	30.74%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the actuarial accrued liability.

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 110,935.29
National School Lunch Program	10.555	300, 350	305,183.25
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	175,397.10
National School Lunch Program	10.555 (2)(A)	300, 350	<u>648,979.64</u>
<b>Total United States Department of Agriculture</b>			<u>1,240,495.28</u>
<b>United States Department of Energy:</b>			
Indirect:			
University of Central Florida:			
ARRA - State Energy Program	81.041 (2)(B)	None	<u>79,954.63</u>
<b>United States Department of Education:</b>			
Direct:			
Federal Pell Grant Program	84.063	N/A	<u>419,085.53</u>
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	1,146,984.64
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	<u>68,736.50</u>
<b>Total Title I, Part A Cluster</b>			1,215,721.14
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	855,472.93
Special Education - Preschool Grants	84.173	266, 267	36,790.28
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	22,033.93
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	2,755.57
Leon County District School Board:			
Special Education - Preschool Grants	84.173	None	<u>24,778.93</u>
<b>Total Special Education Cluster</b>			941,831.64
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	85,983.61
ARRA - Education Technology State Grants, Recovery Act	84.386	121	<u>166,780.49</u>
<b>Total Educational Technology State Grants Cluster</b>			252,764.10
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	84,748.23
Career and Technical Education - Basic Grants to States	84.048	151	147,415.08
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	08-202-VH308	10,574.24
Even Start - State Educational Agencies	84.213	219	131,940.67
Rural Education	84.358	110	52,112.56
Improving Teacher Quality State Grants	84.367	224	191,815.22
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	1,213.89
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	2,725.11
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	183,465.66
Education Jobs Fund	84.410	541	<u>7,985.00</u>
<b>Total Indirect</b>			<u>3,224,312.54</u>
<b>Total United States Department of Education</b>			<u>3,643,398.07</u>

**TAYLOR COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
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)
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600 (3)	N/A	\$ 1,039,130.29
Indirect:			
Early Learning Coalition of the Big Bend Region, Inc.: Child Care and Development Block Grant	93.575	None	<u>52,218.01</u>
<b>Total United States Department of Health and Human Services</b>			<u>1,091,348.30</u>
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Department of Education: State Domestic Preparedness Equipment Support Program	97.004	290	<u>38,822.64</u>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>64,831.65</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,158,850.57</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance:
- (A) National School Lunch Program - Includes \$127,695.90 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
  - (B) State Energy Program - Represents the Federally-paid portion of solar panels and related site preparation and installation costs.
- (3) Head Start. Expenditures include \$610,726.46 for grant number/program year 04CH0506/18 and \$428,403.83 for grant number/program year 04CH0506/19.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Taylor 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 discretely presented component unit, as described in our report on the Taylor County District School Board's financial statements. For the school internal funds and the discretely presented component unit, 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  
March 11, 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 Taylor 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  
March 11, 2013

**TAYLOR 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:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); and ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

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

**ADDITIONAL MATTERS**

**Finding No. 1: Compensation and Salary Schedules**

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard workday, such as supplements for athletic coaches and band directors. However, neither the salary schedule nor the union contract evidenced consideration of differentiated pay based on school demographics, level of job performance difficulties, or critical shortage areas for instructional personnel, contrary to Section 1012.22(1)(c)4.b., Florida Statutes.

In December 2012, District personnel indicated that the District and instructional union had agreed upon differentiated pay provisions for the instructional personnel union contract for the 2012-13 fiscal year. Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-161 and 2012-163.

**Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.**

**Finding No. 2: 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 the Florida Department of Education (FDOE) instructional hours reporting procedures. In addition, Section 1011.80(5)(d), Florida Statutes, prohibits the District from reporting adult general education contact hours of students whose direct instructional costs were fully funded by an external agency.

For the 2011-12 fiscal year, the District reported to the FDOE 9,824 adult general education instructional contact hours for 87 students enrolled in 6 classes; however, these contact hours only represented the fall 2011 term and excluded the spring 2012 term of 4,708 contact hours for 66 students in 4 classes. District personnel indicated that the spring term contact hours, required for submission to the FDOE no later than August 2, 2012, were inadvertently reported on August 28, 2012 or 26 days late.

To determine the accuracy of the fall 2011 term hours reported, we tested 1,202 contact hours reported for 7 students enrolled in 3 classes and noted the District overreported 37 hours for 3 students enrolled in 3 classes because of inputting errors. We also noted 811 contact hours reported in the fall 2011 term for 15 students enrolled in an adult education class whose direct instructional costs were fully funded by the Adult Basic Education Federal program, contrary to Section 1011.80(5)(d), Florida Statutes.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the data be submitted correctly. Similar findings were noted in our report Nos. 2011-161 and 2012-163.

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

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**Finding No. 3: Information Technology – Security Controls – Data Loss Prevention**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (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. 2012-163.

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

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**Finding No. 4: Information Technology – Access Control Records**

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The State of Florida *General Records Schedule GS1-SL for State and Local Government Agencies (General Records Schedule)*, revised by the Florida Department of State effective August 2010, provides that access control records must be retained for one anniversary year after superseded or after an employee separates from employment. District procedures require notification of the IT Director and Network Administrator when an employee terminates so that the employee's access privileges can be deactivated, as appropriate.

District personnel indicated that IT access change requests are typically made based on verbal instructions and are not documented. Our review of District records for three former employees that terminated at or subsequent to June 30, 2011, disclosed that the employees did not access the IT system after their termination dates, but District records did not evidence the date access was deactivated because District personnel were unaware of the record retention requirements. Two of the former employees had access to e-mail and the Internet and the remaining former employee had inquiry access to human resource information. When District records do not evidence timely deactivation of former employee access privileges, the risk is increased that access privileges may be misused by the former employees or others.

**Recommendation:** The District should enhance its controls to ensure District records evidence timely deactivation of former employee access privileges as required by the *General Records Schedule*.

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2012-163. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2019-10 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2012-163, Finding No. 6	Audit Report No. 2011-161, Finding No. 8
2	Audit Report No. 2012-163, Finding No. 8	Audit Report No. 2011-161, Finding No. 6
3	Audit Report No. 2012-163, Finding No. 10	NA

NA – Not applicable

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*TAYLOR COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 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
2007-161 (9) 2009-171 (6) 2010-170 (5) 2011-161 (6)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Head Start (CFDA No. 93.600) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Enhancements were needed in District procedures for maintaining documentation to support the allocation of salaries and benefits to the Head Start program for employees who worked on single and multiple cost objectives. Additionally, the District paid the salary and benefits of a technology specialist with Title I moneys resulting in questioned costs of \$55,119.68 during the 2008-09 fiscal year.	Partially corrected.	The grantor has indicated that Head Start findings are resolved. Title I findings are pending notification from the Florida Department of Education regarding repayment of questioned costs.
2010-170 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking - Supplement Not Supplant	The District used Title I program funds to reduce (supplant) the amount of other moneys used to operate the program, contrary to Federal regulations, resulting in questioned costs of \$85,109.40.	Partially corrected.	Pending notification from the Florida Department of Education regarding repayment of questioned costs.
2010-170 (6) 2011-161 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Matching, Level of Effort, Earmarking - Targeting Funds for Supplemental Educational Services	Improvements were needed in the District's administration of supplemental educational services and transportation choice options for students attending schools identified as in need of improvement. The unexpended portions of the 2008-09 and 2009-10 fiscal year earmarks of \$72,147.63 and \$152,525.80, respectively, represent questioned costs.	Partially corrected.	Pending notification from the Florida Department of Education regarding repayment of questioned costs.
2011-161 (2)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the maintenance of effort requirements for the Title I program were met, resulting in questioned costs of \$79,634.02.	Corrected.	The grantor reduced the District's 2010-11 grant year Title I award by the percentage that the District failed to maintain local effort.

EXHIBIT A  
MANAGEMENT'S RESPONSE



THE DISTRICT SCHOOL BOARD OF TAYLOR COUNTY  
318 North Clark Street  
Perry, Florida 32347  
(850) 838-2500 – Telephone  
(850) 838-2501 – Fax  
Taylor.k12.fl.us  
Paul Dyal, Superintendent

February 8, 2013

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

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ending June 30, 2012 have been reviewed by the appropriate district staff. Our response to the findings and recommendations are listed below.

Finding No. 1: Compensation and Salary Schedules

The Board will establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Through the collective bargaining process with our instructional union, differentiated pay has been addressed and protocols on who should receive it have been put in place in the teachers' contract.

Finding No. 2: Adult General Education Courses

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

Finding No. 3: Information Technology – Security Controls – Data Loss Prevention

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

School Board Members

Danny Glover Jr.  
Residence Area One

Brenda H. Carlton  
Residence Area Two

Darrell Whiddon  
Residence Area Three

Danny Lundy  
Residence Area Four

Kenneth R. Dennis  
Residence Area Five

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

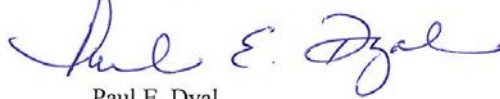
**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

Finding No. 4: Information Technology – Access Control Records

The District has implemented the required retention of application access control records.

We wish to commend Cheryl Buchanan and her staff; the audit was conducted with much courtesy and professionalism. We value their knowledge and expertise relating to school business.

Sincerely,

A handwritten signature in blue ink that reads "Paul E. Dyal". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

Paul E. Dyal  
Superintendent, Taylor County Schools