

JEFFERSON COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Edward W. Vollertsen	1
Sandra Saunders	2
Shirley A. Washington, Chair to 11-21-11	3
Marianne Arbulu, Vice Chair to 11-21-11, Chair from 11-22-11	4
Charles Boland, Vice Chair from 11-22-11	5

William E. Brumfield, 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 Stacy P. Boyd, 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 or by telephone at (850) 487-9039.

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

**JEFFERSON COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies, as summarized below. However, the significant deficiencies are not considered to be material weaknesses.

SIGNIFICANT DEFICIENCIES

Finding No. 1: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported on the financial statements.

Finding No. 2: Improvements were needed in the bank account reconciliation process.

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. 3: Controls over journal entries needed enhancement.

Finding No. 4: The District needed to enhance its budgetary process.

Finding No. 5: The District retained \$274,000 of 2007-08 and 2008-09 fiscal year Public Education Capital Outlay appropriations that were subject to reversion to the State.

Finding No. 6: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in \$9,321 of questioned costs.

Finding No. 7: 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. 8: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 9: The District could enhance controls over the issuance of student diplomas.

Finding No. 10: The District's information technology (IT) disaster recovery plan lacked key disaster recovery control elements and had not been tested.

Finding No. 11: The District lacked written policies and procedures for certain IT functions.

Finding No. 12: The District had not implemented a comprehensive IT security awareness training program.

Finding No. 13: District IT security controls related to data loss prevention needed improvement.

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, Part A Cluster; Special Education Cluster; School Improvement 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. However, we did note noncompliance and control deficiency findings as summarized below.

Federal Awards Finding No. 1: Controls over monitoring and reporting of Federal cash balances and expenditures could be enhanced.

Federal Awards Finding No. 2: District records did not evidence that the District met the maintenance of effort requirement for the Special Education program, resulting in \$10,370 of questioned costs.

Federal Awards Finding No. 3: Required documentation to support personnel charges of the Special Education Program was not always maintained, contrary to Federal regulations.

Audit Objectives and Scope

Our audit objectives were to determine whether the Jefferson 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. 2012-168.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson 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 11 percent of the assets and 80 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Jefferson 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 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions it 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 decreased \$304,170.11 from the 2010-11 fiscal year.
- At June 30, 2012, the unrestricted net assets deficit is \$575,179.69 compared to a deficit of \$152,794.42 at June 30, 2011.
- General revenues total \$11,092,025.11. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$985,947.44.
- Expenses total \$12,382,142.66. Only \$985,947.44 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$304,170.11.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriations by the Board, is \$632,980.83 at June 30, 2012, while the total fund balance was \$1,152,099.91.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and

State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Fund Financial Statements

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

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

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

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets, End of Year		
	Governmental Activities	
	<u>6-30-12</u>	<u>6-30-11</u>
Current and Other Assets	\$ 3,177,482.87	\$ 3,101,154.23
Capital Assets	<u>29,147,717.61</u>	<u>29,254,741.70</u>
Total Assets	<u>32,325,200.48</u>	<u>32,355,895.93</u>
Long-Term Liabilities	1,972,041.59	1,768,872.65
Other Liabilities	<u>456,316.60</u>	<u>386,010.88</u>
Total Liabilities	<u>2,428,358.19</u>	<u>2,154,883.53</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	28,585,443.77	28,942,102.13
Restricted	1,886,578.21	1,411,704.69
Unrestricted Deficit	<u>(575,179.69)</u>	<u>(152,794.42)</u>
Total Net Assets	<u>\$ 29,896,842.29</u>	<u>\$ 30,201,012.40</u>

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

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

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

Operating Results for the Fiscal Year Ended			
	Governmental Activities		
	6-30-12	6-30-11	
Program Revenues:			
Charges for Services	\$ 93,475.28	\$ 103,507.51	
Operating Grants and Contributions	818,170.35	863,842.32	
Capital Grants and Contributions	74,301.81	183,578.32	
General Revenues:			
Property Taxes, Levied for Operational Purposes	3,595,466.57	3,612,130.81	
Property Taxes, Levied for Capital Projects	845,086.99	868,619.11	
Grants and Contributions Not Restricted to Specific Programs	6,239,811.35	7,222,091.00	
Unrestricted Investment Earnings	2,848.19	20,863.38	
Miscellaneous	408,812.01	438,598.35	
Total Revenues	12,077,972.55	13,313,230.80	
Functions/Program Expenses:			
Instruction	5,355,315.26	5,499,844.53	
Pupil Personnel Services	326,275.84	211,850.17	
Instructional Media Services	91,229.95	93,594.98	
Instruction and Curriculum Development Services	301,940.84	360,171.85	
Instructional Staff Training Services	505,293.09	152,095.60	
Instruction Related Technology	171,127.68	169,597.04	
School Board	339,408.81	314,483.27	
General Administration	608,216.08	518,800.77	
School Administration	594,875.87	530,817.08	
Facilities Acquisition and Construction	210,216.90	158,078.42	
Fiscal Services	270,739.29	260,856.62	
Food Services	550,831.64	617,404.41	
Central Services	30,126.71	37,529.55	
Pupil Transportation Services	871,801.96	939,678.39	
Operation of Plant	1,077,420.23	1,050,293.44	
Maintenance of Plant	178,261.55	197,126.81	
Administrative Technology Services	96,468.94	105,922.44	
Community Services		34.98	
Unallocated Interest on Long-Term Debt	14,249.36	26,134.69	
Unallocated Depreciation Expense	788,342.66	788,342.66	
Total Functions/Program Expenses	12,382,142.66	12,032,657.70	
Increase (Decrease) in Net Assets	\$ (304,170.11)	\$ 1,280,573.10	

The largest revenue source is the State of Florida. 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. During the 2011-12 fiscal year, the District's FEFP funding was reduced due to declining enrollment and a reduction in per student FEFP funding.

Other State revenues are primarily for categorical and other earmarked programs and for the acquisition, construction, and maintenance of educational facilities. While expenses remained consistent, funding for grants and contribution not restricted to specific programs decreased by approximately \$1 million, due to the aforementioned decrease in FEFP funding and a decrease in Federal stimulus funds for the 2011-12 fiscal year.

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 \$632,980.83, while the total fund balance is \$1,152,099.91. Total fund balance decreased by \$219,729.45 during the fiscal year primarily as a result of declining enrollment and a reduction in per student FEFP funding.

The Special Revenue – Other Fund had a fund balance of \$0 at June 30, 2012, and was used to finance various Federal projects during the year. Total revenues and expenditures were \$1,664,142.65 each during the year. The Special Revenue – Federal Economic Stimulus Fund had a fund balance of \$0 at June 30, 2012, and was used to finance various Federal projects during the year. Total revenues and expenditures were \$866,780.88 each during the year. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in these funds generally do not accumulate fund balances.

The Capital Projects – Public Education Capital Outlay Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund have total fund balances of \$283,812.83, \$738,120.79, and \$156,157.02, respectively, which are restricted for the acquisition, construction, and maintenance of capital assets. The fund balances for the major capital project funds increased primarily from the District not expending funds on any major capital outlay projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2011-12 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted expenditures primarily as a result of the District ensuring that expenditures were within available resources. There were no significant variances between final budget and actual amounts, and small overexpenditures are discussed in the notes to the financial statements.

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 \$29,147,717.61, 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; construction in progress; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$562,273.84 for governmental activities comprised of \$417,273.84 of installment-purchase payable and \$145,000 of bonds payable. During the current fiscal year, the District retired \$424,276.73 of debt and refunded or issued new debt in the amount of \$673,911.

Additional information on the District's long-term debt can be found in notes 5 through 8 to the financial statements.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Jefferson County District School Board, 575 South Water Street, Monticello, Florida, 32344.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,250,458.29
Taxes Receivable	374,325.65
Due from Other Agencies	405,961.91
Investments	79,864.60
Prepaid Items	4,912.52
Inventories	61,959.90
Capital Assets:	
Nondepreciable Capital Assets	1,004,889.14
Depreciable Capital Assets, Net	28,142,828.47
TOTAL ASSETS	\$ 32,325,200.48
LIABILITIES	
Payroll Deductions and Withholdings	\$ 113,207.30
Accounts Payable	154,687.35
Due to Other Agencies	27,195.93
Deferred Revenue	161,226.02
Long-Term Liabilities:	
Portion Due Within One Year	218,612.84
Portion Due After One Year	1,753,428.75
Total Liabilities	2,428,358.19
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	28,585,443.77
Restricted for:	
State Required Carryover Programs	245,449.99
Debt Service	4,093.41
Capital Projects	1,332,308.76
Food Service	232,664.19
Fuel Tax Refund	72,061.86
Unrestricted	(575,179.69)
Total Net Assets	29,896,842.29
TOTAL LIABILITIES AND NET ASSETS	\$ 32,325,200.48

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,355,315.26	\$ 724.23	\$	\$	\$ (5,354,591.03)
Pupil Personnel Services	326,275.84				(326,275.84)
Instructional Media Services	91,229.95				(91,229.95)
Instruction and Curriculum Development Services	301,940.84				(301,940.84)
Instructional Staff Training Services	505,293.09				(505,293.09)
Instruction Related Technology	171,127.68				(171,127.68)
School Board	339,408.81				(339,408.81)
General Administration	608,216.08				(608,216.08)
School Administration	594,875.87				(594,875.87)
Facilities Acquisition and Construction	210,216.90			73,194.00	(137,022.90)
Fiscal Services	270,739.29				(270,739.29)
Food Services	550,831.64	67,561.87	547,832.35		64,562.58
Central Services	30,126.71				(30,126.71)
Pupil Transportation Services	871,801.96	25,189.18	270,338.00		(576,274.78)
Operation of Plant	1,077,420.23				(1,077,420.23)
Maintenance of Plant	178,261.55				(178,261.55)
Administrative Technology Services	96,468.94				(96,468.94)
Unallocated Interest on Long-Term Debt	14,249.36			1,107.81	(13,141.55)
Unallocated Depreciation Expense*	788,342.66				(788,342.66)
Total Governmental Activities	\$ 12,382,142.66	\$ 93,475.28	\$ 818,170.35	\$ 74,301.81	(11,396,195.22)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					
					3,595,466.57
Property Taxes, Levied for Capital Projects					
					845,086.99
Grants and Contributions Not Restricted to Specific Programs					
					6,239,811.35
Unrestricted Investment Earnings					
					2,848.19
Miscellaneous					
					408,812.01
Total General Revenues					11,092,025.11
Change in Net Assets					(304,170.11)
Net Assets - Beginning					30,201,012.40
Net Assets - Ending					\$ 29,896,842.29

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

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 953,899.36	\$ 39,957.41	\$	\$ 465,426.88
Taxes Receivable	305,749.78			
Due from Other Funds	242,936.95	55,720.73		
Due from Other Agencies			263,747.40	
Investments	44,233.11	5,255.23		9,126.95
Prepaid Items		4,912.52		
Inventories	32,106.12			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,578,925.32</u>	<u>\$ 105,845.89</u>	<u>\$ 263,747.40</u>	<u>\$ 474,553.83</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 107,648.11	\$	\$ 5,559.19	\$
Accounts Payable	68,215.37	63,896.96	13,074.10	
Due to Other Funds	223,766.00	22,204.91	245,114.11	190,741.00
Due to Other Agencies	27,195.93			
Deferred Revenue		19,744.02		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>426,825.41</u>	<u>105,845.89</u>	<u>263,747.40</u>	<u>190,741.00</u>
Fund Balances:				
Nonspendable:				
Inventory	32,106.12			
Prepaid Items		4,912.52		
Fund B Investments	44,233.11	5,255.23		9,126.95
Total Nonspendable Fund Balance	76,339.23	10,167.75		9,126.95
Restricted for:				
State Required Carryover Programs	245,449.99			
Fuel Tax Refund	72,061.86			
Debt Service				
Capital Projects				274,685.88
Food Service				
Total Restricted Fund Balance	317,511.85			274,685.88
Assigned for Purchase Obligations	125,268.00			
Unassigned Fund Balance	632,980.83	(10,167.75)		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,152,099.91</u>	<u> </u>	<u> </u>	<u>283,812.83</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,578,925.32</u>	<u>\$ 105,845.89</u>	<u>\$ 263,747.40</u>	<u>\$ 474,553.83</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 474,261.97	\$ 80,380.93	\$ 236,531.74	\$ 2,250,458.29
68,575.87			374,325.65
200,000.00	70,741.00	120,000.00	689,398.68
	141,482.00	732.51	405,961.91
	5,035.09	16,214.22	79,864.60
		29,853.78	4,912.52
			61,959.90
<u>\$ 742,837.84</u>	<u>\$ 297,639.02</u>	<u>\$ 403,332.25</u>	<u>\$ 3,866,881.55</u>
\$ 4,717.05		\$ 4,783.87	\$ 113,207.30
		7,572.66	154,687.35
	141,482.00		689,398.68
			27,195.93
			161,226.02
<u>4,717.05</u>	<u>141,482.00</u>	<u>12,356.53</u>	<u>1,145,715.28</u>
		29,853.78	61,959.90
			4,912.52
	5,035.09	12,120.81	75,771.19
	<u>5,035.09</u>	<u>41,974.59</u>	<u>142,643.61</u>
			245,449.99
			72,061.86
		4,093.41	4,093.41
738,120.79	151,121.93	142,140.41	1,306,069.01
		202,767.31	202,767.31
<u>738,120.79</u>	<u>151,121.93</u>	<u>349,001.13</u>	<u>1,830,441.58</u>
			125,268.00
			622,813.08
<u>738,120.79</u>	<u>156,157.02</u>	<u>390,975.72</u>	<u>2,721,166.27</u>
<u>\$ 742,837.84</u>	<u>\$ 297,639.02</u>	<u>\$ 403,332.25</u>	<u>\$ 3,866,881.55</u>

**JEFFERSON 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	\$ 2,721,166.27
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	29,147,717.61
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Installment-Purchase Payable	\$ 417,273.84	
Bonds Payable	145,000.00	
Compensated Absences Payable	1,074,320.75	
Other Postemployment Benefits Payable	335,447.00	
		(1,972,041.59)

Total Net Assets - Governmental Activities	\$ 29,896,842.29
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The accompanying notes to financial statements are an integral part of this statement.

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**JEFFERSON 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	Capital Projects - Public Education Capital Outlay Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 68,787.17	\$	\$	\$
Federal Through State and Local State	58,293.96 3,853,252.50	1,664,142.65	866,780.88	
Local:				
Property Taxes	3,595,466.57			
Charges for Services - Food Service				
Miscellaneous	404,551.49			9,581.83
Total Local Revenues	<u>4,000,018.06</u>			<u>9,581.83</u>
Total Revenues	<u>7,980,351.69</u>	<u>1,664,142.65</u>	<u>866,780.88</u>	<u>9,581.83</u>
Expenditures				
Current - Education:				
Instruction	4,221,964.08	975,815.51	183,546.53	
Pupil Personnel Services	265,821.53	60,571.27	1,597.03	
Instructional Media Services	89,143.06		2,598.00	
Instruction and Curriculum Development Services	39,998.18	187,691.16	75,977.33	
Instructional Staff Training Services	7,033.46	155,364.45	343,947.37	
Instruction Related Technology	145,374.66		26,606.26	
School Board	340,531.17			
General Administration	328,293.30	221,834.11	60,165.77	
School Administration	594,532.77	3,700.59		
Facilities Acquisition and Construction				
Fiscal Services	272,152.66			
Food Services	5,968.88			
Central Services	20,920.53	9,174.65	55.05	
Pupil Transportation Services	779,570.49	36,232.00		
Operation of Plant	982,998.18			
Maintenance of Plant	176,079.14			
Administrative Technology Services	88,163.27			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	14,050.34			967.65
Other Capital Outlay	27,583.67	13,758.91	172,287.54	
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>8,400,179.37</u>	<u>1,664,142.65</u>	<u>866,780.88</u>	<u>967.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(419,827.68)</u>			<u>8,614.18</u>
Other Financing Sources (Uses)				
Transfers In	185,400.00			
Inception of Installment-Purchase				
Refunding Bonds Issued				
Premium on Refunding Bonds				
Proceeds from Sale of Capital Assets	4,000.00			
Insurance Loss Recoveries	10,698.23			
Payments to Refunding Bond Escrow Agent				
Transfers Out				
Total Other Financing Sources (Uses)	<u>200,098.23</u>			
Net Change in Fund Balances	<u>(219,729.45)</u>			<u>8,614.18</u>
Fund Balances, Beginning	<u>1,371,829.36</u>			<u>275,198.65</u>
Fund Balances, Ending	<u>\$ 1,152,099.91</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 283,812.83</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		535,882.35	68,787.17
		85,144.00	3,125,099.84
			3,938,396.50
845,086.99			4,440,553.56
		67,561.87	67,561.87
583.93	11.22	2,739.48	417,467.95
845,670.92	11.22	70,301.35	4,925,583.38
845,670.92	11.22	691,327.70	12,057,866.89
			5,381,326.12
			327,989.83
			91,741.06
			303,666.67
			506,345.28
			171,980.92
			340,531.17
			610,293.18
			598,233.36
126,579.91			126,579.91
		546,325.65	272,152.66
			552,294.53
			30,150.23
95,650.00			815,802.49
2,797.00			1,078,648.18
8,676.42			178,876.14
			96,839.69
66,324.00			81,341.99
528,911.00			742,541.12
229,276.73		45,000.00	274,276.73
3,936.15		10,313.21	14,249.36
1,062,151.21		601,638.86	12,595,860.62
(216,480.29)	11.22	89,688.84	(537,993.73)
			185,400.00
528,911.00			528,911.00
		145,000.00	145,000.00
		12,169.50	12,169.50
			4,000.00
			10,698.23
		(156,762.08)	(156,762.08)
(185,400.00)			(185,400.00)
343,511.00		407.42	544,016.65
127,030.71	11.22	90,096.26	6,022.92
611,090.08	156,145.80	300,879.46	2,715,143.35
\$ 738,120.79	\$ 156,157.02	\$ 390,975.72	\$ 2,721,166.27

**JEFFERSON 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 \$ 6,022.92

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. (107,024.09)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceed repayments in the current fiscal year.

Inception of Installment-Purchase	\$	(528,911.00)	
Refunding Bonds Issuance		(145,000.00)	
Bonds Refunded		150,000.00	
Bonds Principal Payments		45,000.00	
Installment-Purchase Principal Payments		229,276.73	(249,634.27)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 50,694.33

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. (4,229.00)

Change in Net Assets - Governmental Activities **\$ (304,170.11)**

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 50,491.00
	<u>50,491.00</u>
LIABILITIES	
Accounts Payable	\$ 2,187.00
Internal Accounts Payable	48,304.00
	<u>50,491.00</u>
TOTAL LIABILITIES	<u>\$ 50,491.00</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Jefferson 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 Jefferson 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 Jefferson County.

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

Basis of Presentation:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

- 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 – Public Education Capital Outlay Fund – to account for the financial resources generated by the State Public Education Capital Outlay and Debt Service Fund to be used for educational capital outlay needs, including new construction, remodeling, renovation, maintenance, repairs, and site improvements.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on installment-purchases of buses.
- Capital Projects – Other Fund – to account for the financial resources generated by various State and local resources, including Classrooms First.

Additionally, the District reports the following fiduciary fund type:

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

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

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

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

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

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

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.

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. 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 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. Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in Florida PRIME, formerly known as the Local Government Surplus Trust Fund Investment Pool and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

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

Inventories. Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost, 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.

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

Capital assets are depreciated or amortized using the weighted average composite methods over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	50 years
Improvements Other than Buildings	10 - 35 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

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

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

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

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

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires

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

that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

District Property Taxes. The 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 Jefferson County Property Appraiser, and property taxes are collected by the Jefferson County Tax Collector.

The Board adopted the 2011 tax levy on September 12, 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 Jefferson County Tax Collector at fiscal year-end but not yet remitted to the District.

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

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

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

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.

Expenditures Over Appropriations in Individual Funds. For the fiscal year ended June 30, 2012, expenditures exceed appropriations for the following individual funds:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
Instruction	\$ 4,213,338.33	\$ 4,221,964.08	\$ 8,625.75
General Administration	327,098.63	328,293.30	1,194.67
School Administration	594,460.93	594,532.77	71.84
Pupil Transportation Services	730,734.29	779,570.49	48,836.20

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	\$ 85,076.25
Fund B	5.73 Year Average	75,771.19
Debt Service Accounts	6 Months	4,093.41
Total Investments, Reporting Entity		<u>\$ 164,940.85</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's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

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

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

As of June 30, 2012, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 992,276.14	\$	\$	\$ 992,276.14
Construction in Progress	12,613.00			12,613.00
Total Capital Assets Not Being Depreciated	1,004,889.14			1,004,889.14
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	944,582.81			944,582.81
Buildings and Fixed Equipment	36,535,876.29			36,535,876.29
Furniture, Fixtures, and Equipment	2,568,824.56	171,321.04		2,740,145.60
Motor Vehicles	1,636,077.86	528,911.00		2,164,988.86
Audio Visual Materials and Computer Software	381,796.30	40,014.08		421,810.38
Total Capital Assets Being Depreciated	42,067,157.82	740,246.12		42,807,403.94
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	936,212.19	989.35		937,201.54
Buildings and Fixed Equipment	9,853,954.30	684,151.85		10,538,106.15
Furniture, Fixtures, and Equipment	1,545,940.84	92,555.11		1,638,495.95
Motor Vehicles	1,144,454.07	58,927.55		1,203,381.62
Audio Visual Materials and Computer Software	336,743.86	10,646.35		347,390.21
Total Accumulated Depreciation	13,817,305.26	847,270.21		14,664,575.47
Total Capital Assets Being Depreciated, Net	28,249,852.56	(107,024.09)		28,142,828.47
Governmental Activities Capital Assets, Net	\$ 29,254,741.70	\$ (107,024.09)	\$ 0.00	\$ 29,147,717.61

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 58,927.55
Unallocated	788,342.66
Total Depreciation Expense - Governmental Activities	\$847,270.21

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

5. INSTALLMENT-PURCHASE PAYABLE

The class and amounts of property being acquired under an installment-purchase are as follows:

	<u>Asset Balances</u>
Buses	<u>\$ 528,911.00</u>

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 111,637.16	\$ 100,084.94	\$ 11,552.22
2014	111,637.16	102,855.79	8,781.37
2015	111,637.16	105,703.35	5,933.81
2016	111,637.16	108,629.76	3,007.40
 Total Minimum Installment-Purchase Payments	 <u>\$ 446,548.64</u>	 <u>\$ 417,273.84</u>	 <u>\$ 29,274.80</u>

The stated interest rate is 2.94 percent.

6. BONDS PAYABLE

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds: Series 2011A, Refunding	<u>\$ 145,000</u>	4.0 - 5.0	2015

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

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 56,674.98	\$ 50,000.00	\$ 6,674.98
2014	54,750.00	50,000.00	4,750.00
2015	47,250.00	45,000.00	2,250.00
Total	<u>\$ 158,674.98</u>	<u>\$ 145,000.00</u>	<u>\$ 13,674.98</u>

7. DEFEASED DEBT

On January 5, 2012, the State Board of Education issued \$145,000 in Capital Outlay Refunding Bonds, Series 2011A, with interest rates ranging from 4 to 5 percent, to advance-refund the District's Capital Outlay Bonds, Series 2002B. The Series 2011A bonds are being issued to advance-refund \$150,000 principal amount of the Series 2002B bonds, that mature on or after July 1, 2015. As a result, \$150,000 of the Series 2002B bonds are considered to be in-substance defeased, and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2011A bonds were issued to reduce the debt service payments over the next three years by approximately \$7,450.

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchase Payable	\$ 117,639.57	\$ 528,911.00	\$ 229,276.73	\$ 417,273.84	\$ 100,084.94
Bonds Payable	195,000.00	145,000.00	195,000.00	145,000.00	50,000.00
Compensated Absences Payable	1,125,015.08	384,618.91	435,313.24	1,074,320.75	68,527.90
Other Postemployment Benefits Payable	331,218.00	82,032.00	77,803.00	335,447.00	
Total Governmental Activities	<u>\$ 1,768,872.65</u>	<u>\$ 1,140,561.91</u>	<u>\$ 937,392.97</u>	<u>\$ 1,972,041.59</u>	<u>\$ 218,612.84</u>

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

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

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 242,936.95	\$ 223,766.00
Special Revenue:		
Other	55,720.73	22,204.91
ARRA		245,114.11
Capital Projects:		
Public Education Capital Outlay		190,741.00
Local Capital Improvement	200,000.00	
Other	70,741.00	
Nonmajor Governmental	120,000.00	7,572.66
Total	<u>\$ 689,398.68</u>	<u>\$ 689,398.68</u>

The receivables and payables generally occurred during the normal course of District operations except that amounts due to the General Fund were primarily for temporary loans. The amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 185,400.00	\$
Capital Projects:		
Local Capital Improvement		185,400.00
Total	<u>\$ 185,400.00</u>	<u>\$ 185,400.00</u>

The transfer was primarily for facilities maintenance work.

10. 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.

**JEFFERSON COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

➤ **Restricted**

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

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.

➤ **Assigned**

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

➤ **Unassigned**

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

11. 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	\$ 2,267,849.00
Categorical Educational Program - Class Size Reduction	1,049,910.00
Workforce Development Program	155,172.00
Food Service Supplement	11,950.00
SBE/COBI Bonds (Debt Service)	53,993.95
Miscellaneous	399,521.55
Total	<u>\$ 3,938,396.50</u>

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

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

12. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.569	\$ 3,268,360.64
Basic Discretionary Local Effort	0.748	438,989.72
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	880,326.98
Total	<u>7.817</u>	<u>\$ 4,587,677.34</u>

13. FLORIDA RETIREMENT SYSTEM

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
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 \$565,152.96, \$550,127.81, and \$397,658.33, respectively, which were equal to the required contributions for each fiscal year.

There were 21 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$72,253.15, 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.

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

14. 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 issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (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, 25 retirees received other postemployment benefits. The District provided required contributions of \$77,803 toward the annual OPEB cost. OPEB Plan members contributed \$118,661 through their required contributions ranging from \$211 to \$423 per month for retiree-only coverage and from \$423 to \$433 for retiree and spouse coverage, depending on Medicare eligibility.

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:

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

Description	Amount
Normal Cost (service cost for one year)	\$ 29,745
Amortization of Unfunded Actuarial Accrued Liability	<u>72,630</u>
Annual Required Contribution	102,375
Interest on Net OPEB Obligation	12,421
Adjustment to Annual Required Contribution	<u>(32,764)</u>
Annual OPEB Cost (Expense)	82,032
Contribution Toward the OPEB Cost	<u>(77,803)</u>
Increase in Net OPEB Obligation	4,229
Net OPEB Obligation, Beginning of Year	<u>331,218</u>
Net OPEB Obligation, End of Year	<u><u>\$ 335,447</u></u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 352,683	53.38%	\$ 332,226
2010-11	77,181	101.31%	331,218
2011-12	82,032	94.84%	335,447

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$693,107, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$693,107 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$3,306,690 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.96 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.

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

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. This rate includes a general price inflation rate of 3 percent. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 2 percent beginning January 1, 2011, rising to 8.5 percent the following year, before falling 0.5 percent per year to an ultimate rate of 5 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 8 years.

15. SIGNIFICANT COMMITMENTS

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

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

Major Funds						
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Public Education Capital Outlay	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$125,268</u>	<u>\$ 20,446</u>	<u>\$ 14,003</u>	<u>\$ 232</u>	<u>\$ 13,238</u>	<u>\$ 9,474</u>	<u>\$ 182,661</u>

16. 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 Jefferson County District School Board is a member of the Panhandle Area Educational – Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk

**JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
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JUNE 30, 2012**

management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 63,520.00	\$ 63,520.00	\$ 68,787.17	\$ 5,267.17
Federal Through State and Local	95,000.00	95,000.00	58,293.96	(36,706.04)
State	4,237,846.00	4,237,846.00	3,853,252.50	(384,593.50)
Local:				
Property Taxes	3,583,706.00	3,583,706.00	3,595,466.57	11,760.57
Miscellaneous	323,013.00	323,013.00	404,551.49	81,538.49
Total Local Revenues	3,906,719.00	3,906,719.00	4,000,018.06	93,299.06
Total Revenues	8,303,085.00	8,303,085.00	7,980,351.69	(322,733.31)
Expenditures				
Current - Education:				
Instruction	4,283,289.00	4,213,338.33	4,221,964.08	(8,625.75)
Pupil Personnel Services	239,656.00	265,821.53	265,821.53	
Instructional Media Services	99,017.00	89,143.06	89,143.06	
Instruction and Curriculum Development Services	100,189.00	39,998.18	39,998.18	
Instructional Staff Training Services		7,033.46	7,033.46	
Instruction Related Technology	282,486.00	145,374.66	145,374.66	
School Board	317,580.00	340,531.20	340,531.17	0.03
General Administration	364,920.00	327,098.63	328,293.30	(1,194.67)
School Administration	506,248.00	594,460.93	594,532.77	(71.84)
Fiscal Services	248,126.00	272,152.66	272,152.66	
Food Services		5,968.88	5,968.88	
Central Services	15,600.00	20,920.53	20,920.53	
Pupil Transportation Services	745,121.00	730,734.29	779,570.49	(48,836.20)
Operation of Plant	930,343.00	982,998.18	982,998.18	
Maintenance of Plant	247,270.00	176,247.59	176,079.14	168.45
Administrative Technology Services	123,240.00	88,163.27	88,163.27	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		14,050.34	14,050.34	
Other Capital Outlay		27,583.67	27,583.67	
Total Expenditures	8,503,085.00	8,341,619.39	8,400,179.37	(58,559.98)
Excess (Deficiency) of Revenues Over Expenditures	(200,000.00)	(38,534.39)	(419,827.68)	(381,293.29)
Other Financing Sources				
Transfers In	200,000.00		185,400.00	185,400.00
Proceeds from Sale of Capital Assets			4,000.00	4,000.00
Insurance Loss Recoveries			10,698.23	10,698.23
Total Other Financing Sources	200,000.00		200,098.23	200,098.23
Net Change in Fund Balances		(38,534.39)	(219,729.45)	(181,195.06)
Fund Balances, Beginning	328,257.00	1,371,829.36	1,371,829.36	
Fund Balances, Ending	\$ 328,257.00	\$ 1,333,294.97	\$ 1,152,099.91	\$ (181,195.06)

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)
\$ 1,873,261.00	\$ 1,668,009.26	\$ 1,664,142.65	\$ (3,866.61)	\$ 875,409.00	\$ 866,780.88	\$ 866,780.88	\$
1,873,261.00	1,668,009.26	1,664,142.65	(3,866.61)	875,409.00	866,780.88	866,780.88	
733,356.00	975,815.51	975,815.51		471,250.00	183,546.53	183,546.53	
25,661.00	60,571.27	60,571.27		28,115.00	1,597.03	1,597.03	
				9,271.00	2,598.00	2,598.00	
442,772.00	187,691.16	187,691.16		19,235.00	75,977.33	75,977.33	
285,614.00	159,231.06	155,364.45	3,866.61	294,041.00	343,947.37	343,947.37	
44,350.00					26,606.26	26,606.26	
276,353.00	221,834.11	221,834.11		53,497.00	60,165.77	60,165.77	
	3,700.59	3,700.59					
13,253.00	9,174.65	9,174.65			55.05	55.05	
51,902.00	36,232.00	36,232.00					
	13,758.91	13,758.91			172,287.54	172,287.54	
1,873,261.00	1,668,009.26	1,664,142.65	3,866.61	875,409.00	866,780.88	866,780.88	
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

JEFFERSON 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	\$ 6,062,490	\$ 6,062,490	0.0%	\$ 4,859,518	124.75%
October 1, 2010	0	693,107	693,107	0.0%	3,306,690	20.96%

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

**JEFFERSON 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 \$693,107 was significantly lower than the October 1, 2007, liability of \$6,062,490 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The amortization period for the UAAL was revised from 30 to 10 years, assuming that many retirees age 65 and older will discontinue coverage under the District plan.
- There was a decrease in eligible retirees, resulting in a shorter benefit period. Consequently, the amortization period was adjusted to recognize all accrued benefits before being paid out.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 59,473.72
National School Lunch Program	10.555	300, 350	142,810.20
Summer Food Service Program for Children	10.559	323	5,246.13
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	89,210.58
National School Lunch Program	10.555 (2)	300, 350	229,790.92
Summer Food Service Program for Children	10.559	323	7,869.19
Total United States Department of Agriculture			534,400.74
United States Department of Education:			
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 226, 228	658,272.19
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	69,934.05
Total Title I, Part A Cluster			728,206.24
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	497,334.37
Special Education - Preschool Grants	84.173	267	69,128.17
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	8,187.43
Leon County District School Board:			
Special Education - Grants to States	84.027	None	13,508.65
Total Special Education Cluster			588,158.62
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	110,215.19
ARRA - School Improvement Grants, Recovery Act	84.388	126	526,965.44
Total School Improvement Grants Cluster			637,180.63
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	90,022.00
Career and Technical Education - Basic Grants to States	84.048	151	30,776.59
Rural Education	84.358	110	30,657.86
Improving Teacher Quality State Grants	84.367	224	164,227.63
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	7,235.84
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RG311, RL111, RS611	254,149.90
Education Jobs Fund	84.410	541	3,026.00
Total United States Department of Education			2,533,641.31
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	68,787.17
Total Expenditures of Federal Awards			\$ 3,136,829.22

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

(2) Noncash Assistance - National School Lunch Program. Includes \$15,575.61 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County District School Board as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Jefferson County District School Board's financial statements. For the school internal funds, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1 and 2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

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 20, 2013



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

Compliance

We have audited the Jefferson 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 2, and 3.

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 control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 2, and 3. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with requirements that could have a direct and material effect on a major Federal program, and the results of 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 20, 2013

**JEFFERSON 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)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

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? Yes

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.392 - ARRA); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 - 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

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

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 1: Financial Reporting

Our review of the District's 2011-12 fiscal year annual financial report, submitted to the Florida Department of Education (FDOE) and presented for audit, disclosed that financial reporting procedures could be improved. Specifically, we noted the following fund financial statement errors:

- The District overstated taxes receivable and property tax revenues by \$85,698.65 each in the Capital Projects – Local Capital Improvement (LCI) Fund. This error occurred because District personnel double-recorded a portion of taxes receivable. By misreporting such accounts and transactions, financial statement users may misunderstand the amount available for construction projects funded by ad valorem tax levies.
- The District understated due to other funds and overstated State revenue by \$70,741 each in the Capital Projects – Public Education Capital Outlay (PECO) Fund, and underreported due from other funds and deferred revenue by \$70,741 each in the Capital Projects – Other Fund. These errors occurred because District personnel misunderstood guidance from the FDOE that requires revenue recognition of State capital outlay appropriations when FDOE issues encumbrance authorizations. By misreporting such accounts and transactions, capital outlay activities may be misunderstood.

We extended our audit procedures to determine the adjustments necessary to properly report account balances and transactions on the District's financial statements, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement controls over financial reporting. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

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

Finding No. 2: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources. At June 30, 2012, the District reported cash and cash equivalents totaling \$2.3 million.

The District maintained nine separate bank accounts. The fiscal specialist and Federal fiscal specialist were responsible for preparing bank reconciliations and the former chief financial officer (CFO) was responsible for review and approval of the reconciliations; however, we noted unreconciled differences between the general ledger and bank

account cash balances and bank account reconciliation errors. For example, as of February 14, 2013, District personnel had not reconciled the June 2012 general ledger cash balance with the payroll bank account balance as the general ledger had a zero balance and the bank account had a balance of \$111,527.63. Also, the bank account reconciliation for the General Fund revolving bank account, used to make payments for operational expenditures other than payroll, identified \$11,800 “debits not posted” to decrease the bank balance to the general ledger balance; however, District records did not evidence the basis for this reconciling item. Further, District records for the remaining 106 bank account reconciliations for the 2011-12 fiscal year did not evidence who prepared the reconciliations, the date prepared, and supervisory review and approval.

We were able to extend our audit procedures to ensure the amounts reported on the financial statements for cash and cash equivalents were materially correct and properly classified. Without bank account reconciliations evidencing preparers, preparation dates, and supervisory reviews and approvals, there is an increased risk that errors or fraud could occur and not be promptly detected. A similar finding was noted in our report No. 2012-168.

Recommendation: The District should enhance its procedures to ensure that bank account reconciliations are properly completed, reviewed, and approved in a timely manner.

ADDITIONAL MATTERS

Finding No. 3: Journal Entries

The fiscal specialist and the former CFO were responsible for recording journal entries to adjust the account balances and transactions in the accounting records, and the former CFO was responsible for review and approval of the journal entries of the fiscal specialist; however, District records did not evidence independent review and approval of entries made by the former CFO. In addition, as described in Finding No. 2, the bank account reconciliation process did not provide adequate compensating controls to timely detect journal entry errors. Absent adequate controls over the journal entry process, there is an increased risk that errors or fraud could occur without timely detection.

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

Finding No. 4: Budgetary Controls

The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. Without properly monitoring and amending the budget to meet changing financial circumstances, there is an increased risk that expenditures may exceed available resources. Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized.

Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted by function if the Board approves the expenditure and amends the budget within timelines established by the policies. Pursuant to this statute, the Board adopted Board Policy 6.106, allowing expenditures to exceed the amount budgeted within a fund at the functional level, provided the Board approves such expenditures and amends the budget within 35 days of the date in which the District incurred the expenditures. Further, State Board of Education Rule 6A-1.006(3), Florida Administrative Code, and the Board policy prohibit

Board approval of budget amendments after September 11, 2012, the due date of the annual financial report for the 2011-12 fiscal year.

Our review disclosed that the original budget was prepared and approved in accordance with applicable laws and rules; however, improvements were needed in budgetary controls and compliance, as follows:

- The General Fund's budgeted July 1, 2011, fund balance was \$328,257, in the original budget adopted by the Board, although the Board-approved June 30, 2011, final budget and actual beginning fund balance as of July 1, 2011, was \$1,371,829.36. While the Board eventually approved budget amendments during the 2011-12 fiscal year to increase the budgeted beginning fund balance of the General Fund, using reasonable projections of beginning fund balance budget amounts may help the District in monitoring its activities.
- For the 2011-12 fiscal year, the District did not input any budget amendments into the accounting records, resulting in ineffective monitoring of the budget. In September 2012, after Board approval of the final budget amounts included in the annual financial report, the District had budgetary overexpenditures in four General Fund functional expenditure categories totaling \$58,728. Without sufficient budgetary monitoring controls, the risk increases for expenditures to exceed available resources.

Recommendation: The District should enhance its budgetary procedures to ensure that expenditures are limited to budgeted amounts as required by State law and rules. Such procedures should ensure that the budget and any budget amendments are promptly entered into the accounting records.

Finding No. 5: Public Education Capital Outlay Funds

The State allocates PECO funds to the District on an annual basis. The District's annual PECO allocation consists of specific State-defined project categories and appropriation amounts, each of which has its own restrictions governing use. Section 216.301(2), Florida Statutes, provides that the unexpended balance of any appropriation for fixed capital outlay for an educational facility that is not contracted, or committed to be expended, prior to February 1 of the third fiscal year, shall revert on February 1 of such year to the fund from which it was appropriated. Consequently, the 2007-08 and 2008-09 fiscal year fixed capital outlay appropriations for educational facilities were subject to reversion on February 1, 2010, and February 1, 2011, respectively, if the Board had not approved a contract, received bids, issued notice of intent to award a contract, or issued a purchase order to accomplish the work with in-house staff.

During the 2007-08 and 2008-09 fiscal years, the District received PECO appropriations for remodeling, renovation, maintenance, repair, and site improvements totaling \$283,105 and \$155,510, respectively. During the 2008-09 fiscal year, the District received appropriations for other PECO construction totaling \$29,626. We performed an analysis of the 2007-08 and subsequent fiscal year legislative appropriations, encumbrance authorizations, and the District's reported use of the appropriations over the past five fiscal years on a first-in, first-out basis. The results of our analysis disclosed that, as of June 30, 2012, \$274,000 in unencumbered cash related to the 2007-08 and 2008-09 fiscal year appropriations was on hand that was not committed under terms of a binding contract or otherwise committed to be expended.

The unspent and unreverted resources occurred, in part, because District records did not separately account for specific PECO appropriations and certain State capital outlay resources. Without proper accountability for individual appropriations and related expenditures and encumbrances, District records did not demonstrate compliance with spending timeframes for these resources and the District is at risk of losing this funding.

Recommendation: The District should establish procedures to ensure adequate accountability for State appropriations subject to reversion pursuant to Section 216.301(2), Florida Statutes. In addition, the District should document compliance with this statute to the FDOE or revert the \$274,000 of uncommitted funds to the FDOE.

Finding No. 6: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; and up to \$100 per unweighted full time equivalent student for the cost of certain motor vehicles. The District separately accounts for the transactions of each fiscal year's ad valorem tax levy in the LCI Fund.

During the 2011-12 fiscal year, the District transferred \$185,400 of ad valorem tax levy proceeds from the LCI Fund to the General Fund. The transfer was made to reimburse the General Fund for maintenance of plant expenditures; however, the District only incurred \$176,079 of General Fund maintenance of plant expenditures, resulting in \$9,321 overreimbursed. District personnel indicated that the overreimbursement was used to maintain District vehicles; however, District records did not identify the vehicles that were maintained or how use of the ad valorem tax levy proceeds for maintaining these vehicles met the requirements of Section 1011.71, Florida Statutes, resulting in \$9,321 of questioned costs.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are used only for authorized purposes. In addition, the District should document to the FDOE the allowability of the \$9,321 of questioned costs or restore this amount to the LCI Fund.

Finding No. 7: 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 upon 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 the 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, critical shortage

areas, or level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4.b., Florida Statutes.

District personnel indicated that plans are to revise the salary schedule and renegotiate the union contract for the 2013-14 fiscal year to comply with the statutory differentiated pay requirements. Without a Board-established documented process for identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

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. 8: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. 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 FDOE instructional hours reporting procedures.

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

For the 2011-12 fiscal year, the District reported to the FDOE 13,193 adult general education instructional contact hours for 53 students enrolled in 13 classes. Adult general education classes are held 3 days each week and 35 minutes per day for each class. District personnel used manual attendance sign-in sheets to input student attendance into the system; however, our review of the 13,193 contact hours reported disclosed District personnel inadvertently entered the incorrect hours into the system, resulting in 11,483 overreported hours for the 53 students.

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. 2011-154 and 2012-168.

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

Finding No. 9: Graduation Eligibility and Student Diplomas

For the 2011-12 fiscal year, Jefferson County Middle/High School had 46 graduates who received diplomas. The District entered into a written agreement with a print company to prepare the diplomas for the graduates; however, the agreement did not identify the individual authorized to order diplomas and the District was unable to provide evidence of supervisory approval of the list of graduates sent to the print company for the diploma order. In addition, our test of 20 diploma recipients disclosed that 2 of the recipients were not eligible to graduate because the students

lacked the required class credits. According to District personnel, these instances occurred because District personnel misunderstood the graduation requirements and the courses that met those requirements.

Written agreements identifying the employees authorized to order diplomas, supervisory approval of the list of graduates diplomas are ordered for, and verification of those eligible for graduation based on appropriate requirements would provide additional assurance that diplomas are only issued to those who are eligible to graduate. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

Recommendation: The District should strengthen controls over diploma processing to ensure that contracts identify individuals authorized to order diplomas, supervisory personnel approve graduate lists for diploma orders, and diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation.

Finding No. 10: Information Technology – Disaster Recovery Plan

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

The Panhandle Area Educational Consortium (PAEC) provides various programs and services, including information technology services, to member districts. PAEC utilizes the Northwest Regional Data Center (NWRDC) for processing various administrative application systems. The Board entered into a reciprocal disaster recovery agreement with PAEC member districts whereby member districts agreed to serve as alternative processing sites for each other in the event of a disaster that interrupts critical IT operations.

The District had established a disaster recovery plan and assigned responsibilities for performing disaster recovery activities to particular employees; however, the District had not tested its plan, the plan was not comprehensive, and it excluded the prioritization of critical operations and data, provisions for back-up personnel, and documentation of procedures to follow when the NWRDC is inoperable. Appropriate disaster recovery planning should indicate the conditions under which the back-up site will be used; outline procedures for notification of the back-up site and employees; establish a job priority schedule; and include steps to be followed at the back-up site. When a disaster recovery plan does not include key recovery control elements and has not been tested, there is an increased risk that restoration of IT operations may be delayed in the event of a disaster. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

Recommendation: The District should enhance its disaster recovery plan to include a prioritized list of critical operations and data; a list of backup personnel so that the plan is not dependent upon any one individual; and provide contingencies for service interruptions with NWRDC. In addition, the disaster recovery plan should be tested annually.

Finding No. 11: Information Technology – Written Policies and Procedures

Each IT function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and

contribute to an effective control environment. However, the District lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), administrator IDs and passwords, guest accounts, and security devices (such as firewalls and routers);
- Changing or deleting vendor-supplied passwords upon installation;
- Resetting user passwords, including positive identification of the user;
- Granting administrator rights on the workstations of end users;
- Revoking access privileges of former or reassigned employees, consultants, and vendors;
- Removing confidential information from consultant or vendor equipment; and
- Defining responsibilities, access privileges, and activities for network, database, and security administrators and help desk staff.

According to District personnel, the lack of written policies and procedures resulted from staffing constraints. Without written policies and procedures, the risk is increased that District IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

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

Finding No. 12: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program apprises new employees of, and reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems.

Although the District did have a Terms and Conditions Agreement that included consideration of, among other things, appropriate Internet usage, e-mail messages, security of network resources, and the confidentiality of passwords, the agreement was only signed by instructional personnel. In addition, the District did not have a comprehensive security awareness training program to facilitate the ongoing education and training of applicable employees on security responsibilities, including acceptable and prohibited methods of storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of confidential information. A comprehensive security awareness training program would decrease the risk that the District's IT resources may be unintentionally compromised by employees while performing their assigned duties. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

Recommendation: The District should promote security awareness through a comprehensive training program to ensure that applicable employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. In addition, the District should require applicable employees to acknowledge their understanding and acceptance of security-related responsibilities on an annual basis.

Finding No. 13: Information Technology – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to data loss prevention that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.392-ARRA); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388-ARRA); and Race-to-the Top Incentive Grants (CFDA No. 84.395-ARRA)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Reporting. Expenditures of grant funds are reported through the FDOE's On-Line Disbursement Reporting Application in accordance with reporting and administrative requirements set forth in the FDOE publication titled, *Project Application and Amendment for Federal and State Programs*. Section C of this publication provides instructions for preparing and submitting the Cash Advance and Reporting of Disbursements System (CARDS) Reconciliation, a report used to reconcile the Federal cash balance shown on the FDOE's CARDS Detail by Agency Report to the District's accounting records. The FDOE required that the District complete a reconciliation of all cash advances and disbursements for the 2011-12 fiscal year and submit the reconciliation to the FDOE by November 1, 2012.

As of February 1, 2013, the District had not prepared or filed the CARDS Reconciliation with the FDOE. While we were able to materially reconcile District records with the FDOE Federal cash advance balance shown on the CARDS report, the failure to periodically reconcile the FDOE cash advance balances and program expenditures to amounts per District records limits the District's ability to timely detect and correct errors in its accounting records or Federal financial reports. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

Recommendation: The District should establish controls to properly monitor and report Federal cash balances and Federal expenditures by reconciling amounts reported to the FDOE to the District's accounting records.

District Contact Person: Dr. Kelvin Norton, Assistant Superintendent

Federal Awards Finding No. 2:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.392 - ARRA)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: \$10,370**

Matching, Level of Effort, Earmarking – Maintenance of Effort. Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, require that the amount of State and local funds expended by the District on special education related services during the audit period be at least equal, in total or average per capita, to that of the prior fiscal year. Allowances for decreases in maintenance of effort may be for certain reasons such as departure of special education personnel; a decrease in the enrollment of students with disabilities; and the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities.

The District did not have procedures to monitor its compliance with the maintenance of effort requirements during the 2011-12 fiscal year, and District records indicated that the State and local expenditures, in total and average per capita, decreased from the 2010-11 fiscal year to the 2011-12 fiscal year, as shown below:

Source	Fiscal Years		Difference	Amount
	2010-11	2011-12		
State and Local Expenditures for Special Education Services	\$ 628,940	\$ 508,660	\$ (120,280)	
Full-Time Equivalent (FTE) Enrollment in Special Education	206	170	(36)	
Average Expenditures per Capita (FTE)	\$ 3,053	\$ 2,992	(61)	
Deficiency in Expenditures of State and Local Resources (\$61 X 170 FTE)				\$ 10,370

District records did not evidence that the District met a qualified exemption from the maintenance of effort requirement. Therefore, the deficiency in maintenance of effort from State and local funds totaling \$10,370 represents questioned costs subject to disallowance by the grantor. Without procedures to monitor applicable maintenance of effort requirements, the risk increases that State and local funds will not be properly allocated and expended for special education services, and the grantor may reduce future Special Education program awards.

Recommendation: The District should establish controls over State and local resources allocated and expended for District Special Education programs to ensure compliance with Federal maintenance of effort requirements. In addition, the District should document to the grantor (FDOE) its compliance with Federal maintenance of effort requirements or restore \$10,370 to the Special Education programs.

District Contact Person: Dr. Kelvin Norton, Assistant Superintendent

Federal Awards Finding No. 3:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: None**

Allowable Costs/Cost Principles – Documentation of Time and Effort. United States Office of Management and Budget Circular A-87 provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. Where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee, and be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

For the 2011-12 fiscal year, the Special Education program salary and benefit expenditures totaled \$321,000, of which \$218,510 represented the salary and benefit expenditures for 12 employees selected for audit testing who were paid wholly or partially from the program. The District maintained some documentation to support the salary and benefit expenditures of most of the employees tested. However, semiannual certifications were not maintained to evidence the actual time devoted to the program for 1 of the 9 employees in our test who was paid wholly from the program and, based on District records, the employee actually devoted services to a different Federal program, initially resulting in \$7,015 of questioned costs to the Special Education program subject to disallowance by the grantor. Subsequent to delivery of our preliminary and tentative findings, District supervisory personnel signed correspondence that indicated the employee appropriately worked in the Special Education program.

In addition, the District did not maintain personnel activity reports or equivalent documentation to evidence the actual time devoted to the program for 1 of the 3 employees in our test who was partially paid from the program. Subsequent to our inquiry, this employee's supervisor documented that the employee's salaries and benefits charged to the program were proper.

Absent effective procedures for timely documenting actual time devoted to Federal program activities, there is an increased risk that personnel costs may be inappropriately charged to a Federal program. Similar findings were noted in our report Nos. 2011-154 and 2012-168.

Recommendation: The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefit charges to Federal programs.

District Contact Person: Dr. Kelvin Norton, Assistant Superintendent

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. 2012-168. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2012-168, Finding No. 1	Audit Report No. 2011-154, Finding No. 1
2	Audit Report No. 2012-168, Finding No. 2	NA
7	Audit Report No. 2012-168, Finding No. 4	Audit Report No. 2011-154, Finding No. 6
8	Audit Report No. 2012-168, Finding No. 6	Audit Report No. 2011-154, Finding No. 10
9	Audit Report No. 2012-168, Finding No. 7	Audit Report No. 2011-154, Finding No. 9
10	Audit Report No. 2012-168, Finding No. 9	Audit Report No. 2011-154, Finding No. 13
11	Audit Report No. 2012-168, Finding No. 8	Audit Report No. 2011-154, Finding No. 12
12	Audit Report No. 2012-168, Finding No. 11	Audit Report No. 2011-154, Finding No. 11
Federal Awards Finding No. 1	Audit Report No. 2012-168, Federal Awards Finding No. 6	Audit Report No. 2011-154, Federal Awards Finding No. 3
Federal Awards Finding No. 3	Audit Report No. 2012-168, Federal Awards Finding No. 5	Audit Report No. 2011-154, Federal Awards Finding No. 2

NA – Not Applicable

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*JEFFERSON 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
2011-154 (1)	Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392) - Matching, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the District met the maintenance of effort (MOE) requirements, resulting in questioned costs of \$284,651.47.	Not Corrected.	The grantor sustained the finding. The grantor revised the amount of questioned costs to \$99,000, and reduced the District's 2011-12 grant year allocation by this amount. However, the District did not meet MOE requirements for the Special Education Cluster for 2011-12 fiscal year.
2011-154 (2)	Title I Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA Nos. 84.027 and 84.391) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Required documentation to support salary and benefit costs for 13 employees was not maintained.	Partially Corrected.	This requirement has been corrected for all programs except for the Special Education Cluster, for which a similar finding is reported in the 2011-12 fiscal year.
2011-154 (3) 2012-168 (6)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397); and Education Jobs Fund (CFDA No. 84.410) - Reporting	Controls over monitoring of and reporting of Federal cash balances and expenditures could be enhanced to ensure that amounts reported to the Florida Department of Education are timely reconciled to the District's accounting records.	Not Corrected.	A similar finding is reported in the 2011-12 fiscal year.
2012-168 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Special Tests and Provisions - Highly Qualified Teachers	District procedures did not ensure that all teachers hired to teach core academic subjects in Title I schoolwide schools were highly qualified, resulting in \$76,587 of questioned costs.	Partially Corrected.	District has corrected the deficiency; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (2)	Special Education – Grants to States (CFDA No. 84.027) and Special Education – Grants to States, Recovery Act (CFDA No. 84.391) - Matching, Level of Effort, and Earmarking - Coordinated Early Intervention Services	The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in \$67,780 of questioned costs.	Not Corrected.	The District is no longer required to use this earmark on CEIS activities; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles	District records did not evidence that District personnel verified that certain contracted services were provided to program eligible students before payments were made, resulting in \$56,606 of questioned costs.	Partially Corrected.	District has begun implementing procedures to correct this deficiency; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (4)	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 District met the maintenance of effort requirement for the Title I program.	Partially Corrected.	District has corrected the deficiency; however, the grantor has not yet issued a determination letter.
2012-168 (5)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) and Special Education Cluster (CFDA Nos. 84.027 and 84.391) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Required documentation to support personnel charges totaling \$208,267 and \$25,417 for the Title I and Special Education programs, respectively, were not maintained, contrary to Federal regulations.	Partially Corrected.	This requirement has been corrected for the Title I program but not the Special Education Cluster.

EXHIBIT A
MANAGEMENT'S RESPONSE

AL COOKSEY
Superintendent of Schools
Phone: 850-342-0100
Suncom: 297-0100
Fax: 850-342-0108

Jefferson County School Board

575 South Water Street
MONTICELLO, FLORIDA 32344



March 20, 2013

Auditor General State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

To Whom It May Concern,

Please find enclosed the Jefferson County School District's Audit Responses for the fiscal year ending June 30, 2012.

If you have need of any of our staff, or have remaining questions and/or concerns, please do not hesitate to call our offices.

Sincerely,

Al Cooksey, Superintendent

DL

Enclosure

BOARD MEMBERS

DISTRICT 1
PHIL BARKER

DISTRICT 2
SANDRA SAUNDERS

DISTRICT 3
SHIRLEY A. WASHINGTON

DISTRICT 4
LARRY HALSEY

DISTRICT 5
CHARLES BOLAND

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND
RECOMMENDATIONS**

JEFFERSON COUNTY SCHOOL DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Finding No. 1: Financial Reporting

Response:

The accuracy of its financial reporting has been an ongoing issue for the District and we concur with this finding. It will be improved to ensure that information in our financial statements is accurately reported.

Inaccuracies that have occurred in many areas of the District's reporting on its financial statements over the last two audit reports have been noted. The Chief Financial Officer will introduce controls to ensure that all future financial statement account balances and transactions are reconciled and reported accurately.

Finding No. 2: Bank Account Reconciliations

Response: This finding was included in the District audit reports for 2010-11 fiscal year and we concur that improvements are needed in the bank reconciliation process.

The District is aware of its past shortcomings in relation to conducting timely bank reconciliations, and how this adversely affects its internal control. We have recently received the adjusted opening balances for the 2012-13 fiscal year which we have forwarded to PAEC for inclusion in our ledgers. This will give us a sound base from which to move forward.

In addition we have contacted our bank, Farmers and Merchants, and intend to utilize their automated check reconciliation system starting from July 1, 2012. We will still have to manually reconcile fund transfers and deposits as our computerized accounting system cannot manage the 20 digit code that is associated with such entries.

We will have all of our bank accounts reconciled to March 31, 2013 by the end of April 2013. It is our intention to update our bank account reconciliations on a timely basis at the end of each month thereafter, and the Chief Financial Officer will review the reconciliations at the end of each month.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 3: Journal Entries

Response: The District accepts this finding and the need to adopt procedures on journal entries to ensure that they are correct and that each one is independently reviewed and approved.

The District has adopted a procedure whereby all journal entries will be independently reviewed and counter signed and dated by either the Chief Financial Officer or the Fiscal Specialist.

This process was begun in January 2013 and ensures an independent review and approval process.

Finding No. 4: Budgetary Controls

Response: The District accepts the finding on budgetary controls and entering of approved changes into its financial records in the 2011-12 fiscal year.

The budget is a financial snap shot of one day in time and as such items may arise in the future that were unforeseen at the time the budget was drawn up. It is up to the District to decide how they wish to deal with the financial implications of overspends or new items of expenditure, and one solution is to make offsetting savings elsewhere in the District's financial plan as you suggest.

The District has addressed its shortcomings on budgetary controls by firstly reporting to the Board on a monthly basis its expenditures and incomes for the period and cumulatively for the year, and comparing expenditures and income (as a percentage relationship) to the budget totals for the year. A summary of the General Fund was presented at the February Board meeting which was expanded at the March meeting to include all details from all funds. These reports give both staff and Board Members an early indication as to when budgets may be exceeded and to the opportunity to discuss corrective actions.

At the time of writing this response it appeared that four expenditure groups in the General Fund at the end of February 2013 had exceeded their original budgets by a total of some \$75,446. However, the total expenditure for the General Fund was at 67.7% of its total thus in line with where it should be for the elapsed time of the fiscal year. The programs that were overspending are being investigated and our findings and recommendations will be made at the April Board meeting.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 5: Public Education Capital Outlay Funds

Response: The District concurs with this finding.

The audit has again identified weaknesses in our financial reporting in relation to our management of Public Education Capital Outlay (PECO) funds. We are now aware of the extent of the unspent PECO monies that have been allotted to the District in the recent past.

The new Superintendent and the CFO have been discussing how best to use these allocations and at least two renovation projects are currently being considered and evaluated. Both will be presented to the Board at its April 2013 meeting for their approval to proceed.

We will comply with Section 216.301(2), Florida Statutes, thus avoiding the need to revert these funds back to the State.

Finding No. 6: Ad Valorem Taxation

Response: The District concurs with the finding concerning expenditures charged to ad valorem taxes in that year.

The amount of \$9,321 has been transferred back to the District's Local Capital Improvements (LCI) fund.

Finding No. 7: Compensation and Salary Schedules

Response: This finding regarding differential pay of instructional staff and school based administrators was included in the District's audit reports for both the fiscal years 2009-10 and 2010-11. The District agrees with this finding.

The School Board will adopt formal policies and procedures ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules consistent with Section 1012.22(1)(c), Florida Statutes. New salary schedules are currently being negotiated with the Teachers trade union (JCEA) and these will be presented to the School Board for approval and adoption in the 2013-2014 school year, so that the requirements of the aforementioned statute are met.

Finding No. 8: Adult General Education Classes

Response: Our over-reporting of student contact hours in this program was included in the District's audit report for 2009-10 and 2010-11 fiscal years. The District agrees with this finding.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

We have found that the District's staff employed at its adult education facility has not effectively recorded any daily or course attendance hours of students in this program. As a result Students course hours have been reported to the Florida Department of Education rather than attendance hours.

The non-reporting of attendance was still ongoing at the time of writing this response and measures are being taken to ensure that all attendees are recorded accurately beginning the week following spring break 2013 going forward. This will enable us to report instructional contact hours for adult general education classes to the Florida Department of Education.

This will also ensure that students will be withdrawn from courses for non-attendance in line with the District's policies.

Finding No 9: Graduation Eligibility and Student Diplomas

Response: This is a recurring audit finding for the District and we concur with your finding.

The District will strengthen controls over diploma processing to ensure that student diplomas are ordered for, and distributed to those, who meet the eligibility requirements for graduation. These procedures will include, but not be limited to, the assignment of the Guidance Counselor to create the list of eligible students, review of list and sign-off by the Principal. The list will then be forwarded to a designated employee (School Secretary) to order the diplomas. The diplomas will be shipped to the school to the attention of School Bookkeeper for review of the diplomas by the Principal. The diplomas will then be placed in a safe and secure cabinet until graduation. The contract with the vendor that provides the diplomas will reference the appropriate persons responsible for ordering and receiving the diplomas. A copy of this contract will be kept on file in the Principal's office.

In addition to the ordering process, students in both 11th and 12th grade will be required to participate in a graduation preliminary checklist conference. The conference will provide both the counselor and the student with a lateral view of the requirements students must satisfy in order to graduate from Jefferson County Middle High School. Students who entered 9th grade in 2007 -2008 through 2009 -2010 at Jefferson County Middle High School are required to take the traditional 24-credit track, which usually takes four years to complete (exceptions are special diploma option). Beginning with the 2011-2012 school year students and parents of Jefferson County Middle High School were provided information regarding the 3-year and 4-year high school diploma options, including the respective curriculum requirements for those options.

Finally, students cumulative GPA will be evaluated. All seniors will be aware of the (2.0 or above) GPA requirement in order to graduate. Additionally, The Florida Comprehensive Assessment Test (FCAT) is not yet phased out

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

completely; students will be reminded that they are still required to take the FCAT and must be able to pass both the reading and math sections to fulfill their graduation requirements. Waivers will be assigned for students in need of taking the ACT or SAT in order to meet the concordant score established by the department of education. Students will be advised about the EOC Exam as a required item for subject areas such as Algebra, History, Biology, Geometry, History, etc.

Finding No. 10: Informational Technology – Disaster Recovery Plan

Response: This again is a repeat audit finding and the District is in full agreement with recommendations made.

The School District's Financial System is hosted by Panhandle Area Education Consortium (PAEC) and the data is stored at Northwest Regional Data Center in Tallahassee. Our Disaster Recovery Plan for Informational Technology has been revised to reflect this change to our current data storage setup and personnel involved in recovering our data.

The Director of Technical Support Services and Payroll Specialist will be testing a Fake Payroll Run during the month of April and/or May in Madison and PAEC (Chipley Florida) and will have documentations to verify that the PAEC Disaster Recovery Plan was successful. We will ensure that our disaster recovery plan is tested annually to ensure that it still meets our purpose.

Finding No. 11: Informational Technology – Written Policies and Procedures

Response: The District agrees with this finding.

Written policies and procedures were developed on the areas identified and submitted to the auditor during the Audit Exit Interview in December 2012. In addition, the District will form a District Technology Committee to review the written policies and procedures once a month and make any necessary changes to policy, keeping the changing needs of technology in mind.

Finding No. 12: Informational Technology – Security Awareness Training Program

Response: This again is a repeat finding which the District fully agrees with.

The Director of Technical Support Services will develop a training video for all employees that will cover the importance of securing all data that complies with the laws that govern educational institutions and student data. It will emphasize the need to protect user names and passwords to assigned computers, wireless access points, Focus, TERMS, and online educational applications.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 13: Information Technology – Data Loss Prevention

Response: The District is fully supportive of this finding.

Its Technology Department will seek, develop and implement recommendations from other school districts regarding their policies, procedures, equipment, and/or vendor services they are using.

Federal Award Findings

Finding No 1: Federal cash balances - Internal controls

Response: The District concurs with this finding.

We have already changed our internal procedures in relation to the drawdown of federal funds from the FDOE Cash Advance and Reporting Disbursements System (CARDS). Each drawdown of funds is supported by an internal printout detailing the expenditures by grant area. This is then attached to the CARDS printout so that funds can be matched with expenditures.

Finding No 2: Level of Effort for IDEA funds

Response: The District concurs with this finding.

The District agrees with the auditors methodology used to calculate the “level of effort” in terms of average dollars per student and the amount for restoration.

Also a “level of effort” calculation will be undertaken monthly and supplied to the appropriate supervisors in order to assist them in managing their funds more effectively.

Finding No 3 Documentation of Time and Effort

Response: This is a repeat finding and the District agrees with this finding.

New procedures have been introduced by the School District from the beginning of the 2012-13 fiscal year. Personnel Activity Reports (PAR s) have been produced on a monthly basis for all staff partially or wholly funded by Federal Programs. For those staff whose jobs are partially funded or funded from multiple federal funds, a timesheet (PAR) is produced and signed by both the individual and their program supervisors: either ESE or Federal Programs. For those staff funded from one federal fund the timesheets are summarized semi-annually and the summary again signed by the Supervisor.