

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2013

## BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

	<u>District No.</u>
Dr. Terry E. Nichols, Vice Chair from 11-20-12	1
Kenneth R. Griffin, Vice Chair to 11-19-12, Chair from 11-20-12	2
Betty B. Duffee to 11-19-12	3
Stacey B. Goodson from 11-20-12	3
Chris M. Johnson, Chair to 11-19-12	4
Charlotte M. Gardner	5

Lee W. Miller, Superintendent to 11-19-12  
Steve R. Benton, Sr., Superintendent from 11-20-12

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 Melissa F. Hall, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 412-2863.

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**JACKSON 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

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

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

#### ADDITIONAL MATTERS

Finding No. 1: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Controls over contractual payment processing needed to be enhanced.

Finding No. 3: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 4: 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. 5: The District did not obtain initial approval from the Florida Department of Financial Services, Office of Insurance Regulation, to operate its employee health self-insurance program.

Finding No. 6: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Race-to-the-Top, and Head Start programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: District records did not evidence that the meal status of students selected for verification was accurately assessed.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Jackson 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. 2013-130.

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, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County District School Board, as of and for the fiscal year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 18 percent of the assets and 46 percent of the liabilities of the aggregate remaining fund information. Those financial statements, which were prepared on the cash basis, a special purpose framework, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the school internal funds, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the school internal funds, prior to these conversion adjustments, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *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 Jackson County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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.

#### *Supplementary Information*

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. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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. Such 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 as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Jackson 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
December 12, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jackson County District School Board has prepared the following discussion and analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- As of June 30, 2013, the assets exceed the liabilities by \$77,224,240.48. Of this amount, \$3,515,002.20 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position decreased \$4,444,201.87, which represents a 5 percent decrease from the 2011-12 fiscal year.
- General revenues total \$55,109,921.03, or 93 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,310,099.83, or 7 percent of all revenues.
- Expenses total \$63,864,222.73. Only \$4,310,099.83 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$11,301,833.27, which is \$3,684,788.36 less than the prior fiscal year balance. The General Fund total assigned and unassigned fund balance was \$7,453,920.11, or approximately 16 percent of total General Fund revenues.
- Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*, requires the District to disclose a liability at June 30, 2013, which represents its obligation for postemployment benefits for retirees. This is an estimated amount, and there is currently no available budget to fund the liability.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 position 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 position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and the liabilities, the net position, is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

All of the District's nonfiduciary activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional

support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

### **Fund Financial Statements**

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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 – Food Service Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, and Debt Service – Federal Economic Stimulus Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

**Proprietary Fund:** The internal service fund is used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for the District's Employee Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

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

**Notes to Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District’s progress in funding its obligation to provide other postemployment benefits to its employees. 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**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2013, compared to net position as of June 30, 2012:

	<b>Net Position, End of Year</b>	
	Governmental Activities	
	<u>6-30-13</u>	<u>6-30-12</u>
Current and Other Assets	\$ 15,299,422.36	\$ 17,823,720.64
Capital Assets	<u>76,073,166.40</u>	<u>79,105,535.71</u>
<b>Total Assets</b>	<u>91,372,588.76</u>	<u>96,929,256.35</u>
Long-Term Liabilities	12,897,424.63	14,390,145.51
Other Liabilities	<u>1,250,923.65</u>	<u>870,668.49</u>
<b>Total Liabilities</b>	<u>14,148,348.28</u>	<u>15,260,814.00</u>
Net Position:		
Net Investment in Capital Assets	67,796,443.67	69,582,794.73
Restricted	5,912,794.61	4,976,553.33
Unrestricted	<u>3,515,002.20</u>	<u>7,109,094.29</u>
<b>Total Net Position</b>	<u>\$ 77,224,240.48</u>	<u>\$ 81,668,442.35</u>

The largest portion of the District’s net position (88 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment; motor vehicles; and computer software), 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position (8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (4 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole, and for its separate governmental activities. Positive balances were similarly reported for the prior fiscal year.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

<b>Operating Results for the Fiscal Year Ended</b>		
	Governmental Activities	
	6-30-13	6-30-12
<b>Program Revenues:</b>		
Charges for Services	\$ 1,058,205.16	\$ 1,124,505.90
Operating Grants and Contributions	2,958,317.58	2,915,367.97
Capital Grants and Contributions	293,577.09	292,662.08
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	9,347,537.82	9,704,986.53
Property Taxes, Levied for Capital Projects	363,734.59	390,359.75
Local Sales Taxes	2,099,142.60	2,013,150.31
Grants and Contributions Not Restricted to Specific Programs	42,459,987.51	43,214,994.31
Unrestricted Investment Earnings	47,519.21	30,137.65
Miscellaneous	791,999.30	1,109,421.03
<b>Total Revenues</b>	<b>59,420,020.86</b>	<b>60,795,585.53</b>
<b>Functions/Program Expenses:</b>		
Instruction	31,202,633.68	32,905,562.84
Pupil Personnel Services	3,446,049.60	3,436,686.28
Instructional Media Services	728,599.57	729,004.58
Instruction and Curriculum Development Services	1,468,639.34	1,670,722.30
Instructional Staff Training Services	397,979.21	537,374.33
Instruction Related Technology	828,818.63	921,132.60
School Board	626,965.82	428,999.30
General Administration	605,435.70	611,714.64
School Administration	3,864,923.26	3,764,115.01
Facilities Acquisition and Construction	419,562.39	347,429.71
Fiscal Services	324,748.84	380,834.69
Food Services	3,773,631.86	3,937,560.69
Central Services	531,353.43	515,098.89
Pupil Transportation Services	3,561,359.13	3,947,707.98
Operation of Plant	5,776,268.44	5,669,268.18
Maintenance of Plant	1,881,268.12	1,913,460.73
Administrative Technology Services	575,651.50	685,999.88
Community Services	21,971.39	48,655.85
Unallocated Interest on Long-Term Debt	400,914.15	445,572.59
Unallocated Depreciation Expense	3,427,448.67	3,868,307.06
Loss on Disposal of Capital Assets		898.03
<b>Total Functions/Program Expenses</b>	<b>63,864,222.73</b>	<b>66,766,106.16</b>
<b>Change in Net Position</b>	<b>(4,444,201.87)</b>	<b>(5,970,520.63)</b>
<b>Net Position - Beginning</b>	<b>81,668,442.35</b>	<b>87,638,962.98</b>
<b>Net Postion - Ending</b>	<b>\$ 77,224,240.48</b>	<b>\$ 81,668,442.35</b>

The largest revenue source is the State of Florida (61 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues decreased \$755,006.80, or 2 percent, from the previous fiscal year, primarily due to a decrease in Federal awards including Federal economic stimulus funds.

Classroom instruction and instructional support expenses represent 60 percent of the total governmental expenses in the 2012-13 fiscal year. These expenses decreased \$2,127,762.90, or 6 percent, from the previous fiscal year, due mainly from a reduction in Federal awards, including Federal economic stimulus programs and reduction in the number of instructional staff.

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

### **Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased \$3,238,875.10 during the fiscal year to \$13,714,177.05 at June 30, 2013. The fund balances nonspendable, restricted, and assigned for particular purposes totaled \$8,231,885.76. The remainder, approximately 40 percent of the total fund balance, \$5,482,291.29, is unassigned fund balance, which is available for spending at the District's discretion.

### **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 \$5,482,291.29, while the total fund balance is \$11,301,833.27. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 16 percent of the total General Fund revenues, while total fund balance represents approximately 25 percent of total General Fund revenues.

Total fund balance decreased by \$3,684,788.36 during the fiscal year. With the reduction in Federal economic stimulus programs, the District has used the General Fund for certain expenditures. General Fund revenue experienced a significant decline in the 2011-12 fiscal year in the amount of \$3,070,918.33, with no significant change in the 2012-13 fiscal year. Therefore, to maintain the same educational service levels, the District used some of its unassigned fund balance for the past few fiscal years.

The Special Revenue – Food Service Fund accounts for operations of the food service program and has a nonspendable fund balance of \$29,107.64, restricted fund balance of, \$9,511.97, and the total fund balance increased \$38,619.61 over the previous fiscal year. This increase is due to reduction in the number of District food service staff and capital outlay expenditures.

The Special Revenue – Other Fund has total revenues and expenditures of \$6,305,979.45 each, and the funding was mainly used for instruction. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$179,661.07 each, and the funding was mainly used for instructional staff training. Because grant revenues attributed to the grants accounted for in these funds are not recognized until expenditures are incurred, these funds generally do not accumulate a fund balance. Activity in these funds decreased substantially due to a reduction of Federal awards, including Federal economic stimulus program funding.

The Debt Service – Federal Economic Stimulus Fund has total revenues and expenditures of \$40,114.68 each, and the fund was used to pay the interest on the District’s Build America Bonds.

### **Proprietary Fund**

The District’s proprietary fund statements provide the same type of information reported in the government-wide financial statements, but in more detail. The Internal Service Fund was established in January 2013 to account for the District’s Employee Health Self-Insurance Program and resulted in an unrestricted net position of the \$334,321.66 at June 30, 2013.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2012-13 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$606,512.27, or 1 percent. At the same time, final budgeted appropriations are more than the original budgeted amounts by \$668,445.28. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues and expenditures are in line with the final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$18,021.48.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### **Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2013, is \$76,073,166.40 (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; property under capital lease; audio visual materials; and computer software.

Major capital asset events during the current fiscal year included completion of reroofing at Graceville High School.

Additional information on the District’s capital assets can be found in note II.C to the financial statements.

### **Long-Term Debt**

At June 30, 2013, the District has bonds payable of \$8,270,000. This total includes the following balances:

- \$4,780,000 in District Revenue and Refunding Bonds, Series 2003, to provide for capital construction projects;
- \$1,070,000 for debt issued on behalf of the District by the State Board of Education and administered by the State Board of Administration; and
- \$2,420,000 in Sales Tax Revenue Bond Series 2010 (Build America Bonds). Under the Federal Build America Bonds program, a portion of the amount of each interest payment (35 percent) is credited to the issuer from the United States Treasury upon proper application. These bonds were issued to provide for the heating, ventilation, and air-conditioning replacement/lighting retrofit project at various locations.

Additional information on the District’s long-term debt can be found in notes II.I.1 and II.I.2 to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Jackson County District School Board's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Jackson County District School Board, P. O. Box 5958, Marianna, FL 32447.

**BASIC FINANCIAL STATEMENTS**

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION  
June 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 9,350,352.07
Investments	4,117,476.69
Taxes Receivable	3,052.27
Accounts Receivable	124,091.33
Due from Other Agencies	379,573.22
Due from Fiscal Agent	1,087,306.18
Due from Excess Insurer	130,918.00
Inventories	106,652.60
Capital Assets:	
Nondepreciable Capital Assets	817,412.42
Depreciable Capital Assets, Net	<u>75,255,753.98</u>
<b>TOTAL ASSETS</b>	<u>91,372,588.76</u>
<b>LIABILITIES</b>	
Payroll Deductions and Withholdings	33,489.41
Accounts Payable	743,523.43
Due to Other Agencies	1,395.00
Deposits Payable	782.52
Unearned Revenue	22,784.29
Estimated Insurance Claims Payable	448,949.00
Long-Term Liabilities:	
Portion Due Within One Year	1,414,552.95
Portion Due After One Year	<u>11,482,871.68</u>
<b>TOTAL LIABILITIES</b>	<u>14,148,348.28</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	67,796,443.67
Restricted for:	
State Required Carryover Programs	3,770,368.20
Debt Service	283,805.49
Capital Projects	1,820,001.31
Food Service	38,619.61
Unrestricted	<u>3,515,002.20</u>
<b>TOTAL NET POSITION</b>	<u>\$ 77,224,240.48</u>

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

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 31,202,633.68	\$ 224,919.26	\$	\$	\$ (30,977,714.42)
Pupil Personnel Services	3,446,049.60				(3,446,049.60)
Instructional Media Services	728,599.57				(728,599.57)
Instruction and Curriculum Development Services	1,468,639.34				(1,468,639.34)
Instructional Staff Training Services	397,979.21				(397,979.21)
Instruction Related Technology	828,818.63				(828,818.63)
School Board	626,965.82				(626,965.82)
General Administration	605,435.70				(605,435.70)
School Administration	3,864,923.26				(3,864,923.26)
Facilities Acquisition and Construction	419,562.39			60,177.06	(359,385.33)
Fiscal Services	324,748.84				(324,748.84)
Food Services	3,773,631.86	833,285.90	2,958,317.58		17,971.62
Central Services	531,353.43				(531,353.43)
Pupil Transportation Services	3,561,359.13				(3,561,359.13)
Operation of Plant	5,776,268.44				(5,776,268.44)
Maintenance of Plant	1,881,268.12				(1,881,268.12)
Administrative Technology Services	575,651.50				(575,651.50)
Community Services	21,971.39				(21,971.39)
Unallocated Interest on Long-Term Debt	400,914.15			233,400.03	(167,514.12)
Unallocated Depreciation Expense*	3,427,448.67				(3,427,448.67)
<b>Total Governmental Activities</b>	<b>\$ 63,864,222.73</b>	<b>\$ 1,058,205.16</b>	<b>\$ 2,958,317.58</b>	<b>\$ 293,577.09</b>	<b>(59,554,122.90)</b>
General Revenues:					
Taxes:					
					9,347,537.82
					363,734.59
					2,099,142.60
					42,459,987.51
					47,519.21
					791,999.30
<b>Total General Revenues</b>					<b>55,109,921.03</b>
<b>Change in Net Position</b>					<b>(4,444,201.87)</b>
Net Position - Beginning					81,668,442.35
<b>Net Position - Ending</b>					<b>\$ 77,224,240.48</b>

\* 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.

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>ASSETS</b>				
Assets:				
Cash and Cash Equivalents	\$ 6,931,682.90	\$ 96,767.03	\$ 2,000.00	\$ 1,000.00
Investments	4,049,341.10			
Taxes Receivable	2,933.80			
Accounts Receivable	121,568.12	153.73		
Due from Other Funds	215,934.50	420.23	2,617.15	83.04
Due from Other Agencies	158,917.62	13,975.53	203,357.36	3,322.71
Inventories	77,544.96	29,107.64		
<b>TOTAL ASSETS</b>	<b>\$ 11,557,923.00</b>	<b>\$ 140,424.16</b>	<b>\$ 207,974.51</b>	<b>\$ 4,405.75</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payroll Deductions and Withholdings	\$ 33,489.41	\$ 80,639.70	\$ 875.77	\$
Accounts Payable	215,682.94			
Due to Other Funds	3,120.42		207,098.74	4,405.75
Due to Other Agencies	1,395.00			
Deposits Payable	782.52			
Unearned Revenue	1,619.44	21,164.85		
<b>Total Liabilities</b>	<b>256,089.73</b>	<b>101,804.55</b>	<b>207,974.51</b>	<b>4,405.75</b>
Fund Balances:				
Nonspendable:				
Inventories	77,544.96	29,107.64		
Restricted for:				
State Required Carryover Programs	3,770,368.20			
Debt Service				
Capital Projects				
Food Service		9,511.97		
Total Restricted Fund Balance	<b>3,770,368.20</b>	<b>9,511.97</b>		
Assigned for:				
Debt Service				
DROP Program	1,176,992.33			
School Budgets	794,636.49			
Total Assigned Fund Balance	<b>1,971,628.82</b>			
Unassigned Fund Balance	5,482,291.29			
<b>Total Fund Balances</b>	<b>11,301,833.27</b>	<b>38,619.61</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,557,923.00</b>	<b>\$ 140,424.16</b>	<b>\$ 207,974.51</b>	<b>\$ 4,405.75</b>

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

Debt Service - Federal Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 2,318,902.14	\$ 9,350,352.07
	68,135.59	4,117,476.69
	118.47	3,052.27
		121,721.85
		219,054.92
		379,573.22
		106,652.60
<hr/>	<hr/>	<hr/>
\$ 0.00	\$ 2,387,156.20	\$ 14,297,883.62
<hr/>	<hr/>	<hr/>
\$	\$	\$
	11,371.50	33,489.41
	2,060.53	308,569.91
		216,685.44
		1,395.00
		782.52
		22,784.29
<hr/>	<hr/>	<hr/>
	13,432.03	583,706.57
<hr/>	<hr/>	<hr/>
		106,652.60
		3,770,368.20
	283,805.49	283,805.49
	1,820,001.31	1,820,001.31
		9,511.97
<hr/>	<hr/>	<hr/>
	2,103,806.80	5,883,686.97
<hr/>	<hr/>	<hr/>
	269,917.37	269,917.37
		1,176,992.33
		794,636.49
<hr/>	<hr/>	<hr/>
	269,917.37	2,241,546.19
<hr/>	<hr/>	<hr/>
		5,482,291.29
<hr/>	<hr/>	<hr/>
	2,373,724.17	13,714,177.05
<hr/>	<hr/>	<hr/>
\$ 0.00	\$ 2,387,156.20	\$ 14,297,883.62

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Total Fund Balances - Governmental Funds** \$ 13,714,177.05

Amounts reported for governmental activities in the statement of net position 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. 76,073,166.40

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 334,321.66

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:

Obligation Under Capital Lease	\$ 6,722.73	
Bonds Payable	8,270,000.00	
Compensated Absences Payable	3,362,141.90	
Other Postemployment Benefits Payable	1,258,560.00	(12,897,424.63)

**Net Position - Governmental Activities** \$ 77,224,240.48

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

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**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2013**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$	\$	\$ 1,805,927.00	\$
Federal Through State and Local	271,401.15	2,899,790.58	4,500,052.45	179,661.07
State	35,295,692.19	58,527.00		
Local:				
Property Taxes	9,347,537.82			
Local Sales Taxes				
Charges for Services - Food Service		833,285.90		
Miscellaneous	997,119.99	30.37		
Total Local Revenues	<u>10,344,657.81</u>	<u>833,316.27</u>		
<b>Total Revenues</b>	<u>45,911,751.15</u>	<u>3,791,633.85</u>	<u>6,305,979.45</u>	<u>179,661.07</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	27,104,676.95		4,466,534.66	43,141.98
Pupil Personnel Services	3,215,558.99		240,107.55	
Instructional Media Services	735,837.62			
Instruction and Curriculum Development Services	857,615.02		582,573.54	44,261.37
Instructional Staff Training Services	87,449.16		223,117.75	85,580.67
Instruction Related Technology	707,913.40		123,332.74	
School Board	626,460.86			
General Administration	381,273.59		219,323.23	5,217.88
School Administration	3,822,660.47		80,586.26	
Facilities Acquisition and Construction	406,320.73			
Fiscal Services	328,063.14			
Food Services	4,369.21	3,753,014.24	21,231.00	
Central Services	532,503.36		16,601.67	1,459.17
Pupil Transportation Services	2,963,093.59		16,897.48	
Operation of Plant	5,706,983.78		78,780.42	
Maintenance of Plant	1,912,064.21		5.73	
Administrative Technology Services	579,208.07			
Community Services	20,941.66			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	266,585.27			
Other Capital Outlay	227,692.72		236,887.42	
Debt Service:				
Principal	21,018.25			
Interest and Fiscal Charges	857.75			
<b>Total Expenditures</b>	<u>50,509,147.80</u>	<u>3,753,014.24</u>	<u>6,305,979.45</u>	<u>179,661.07</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(4,597,396.65)</u>	<u>38,619.61</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers In	862,665.20			
Insurance Loss Recoveries	49,943.09			
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>912,608.29</u>			
<b>Net Change in Fund Balances</b>	<u>(3,684,788.36)</u>	<u>38,619.61</u>		
Fund Balances, Beginning	14,986,621.63			
<b>Fund Balances, Ending</b>	<u>\$ 11,301,833.27</u>	<u>\$ 38,619.61</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Debt Service - Federal Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$ 40,101.07	\$	\$ 1,846,028.07
	660,729.67	7,850,905.25
	363,734.59	36,014,948.86
	2,099,142.60	9,711,272.41
	19,448.32	2,099,142.60
<u>13.61</u>	<u>2,482,325.51</u>	<u>833,285.90</u>
<u>13.61</u>	<u>2,482,325.51</u>	<u>1,016,612.29</u>
<u>40,114.68</u>	<u>3,143,055.18</u>	<u>13,660,313.20</u>
		31,614,353.59
		3,455,666.54
		735,837.62
		1,484,449.93
		396,147.58
		831,246.14
		626,460.86
		605,814.70
		3,903,246.73
		406,320.73
		328,063.14
		3,778,614.45
		550,564.20
		2,979,991.07
		5,785,764.20
		1,912,069.94
		579,208.07
		20,941.66
	288,154.61	554,739.88
		464,580.14
<u>40,114.68</u>	<u>1,225,000.00</u>	<u>1,246,018.25</u>
<u>40,114.68</u>	<u>359,941.72</u>	<u>400,914.15</u>
<u>40,114.68</u>	<u>1,873,096.33</u>	<u>62,661,013.57</u>
<u>40,114.68</u>	<u>1,269,958.85</u>	<u>(3,288,818.19)</u>
	984,455.98	1,847,121.18
	(1,847,121.18)	49,943.09
	(862,665.20)	(1,847,121.18)
	407,293.65	49,943.09
	1,966,430.52	(3,238,875.10)
<u>\$ 0.00</u>	<u>\$ 2,373,724.17</u>	<u>\$ 13,714,177.05</u>

**JACKSON 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, 2013**

**Net Change in Fund Balances - Governmental Funds** \$ (3,238,875.10)

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. (3,030,251.70)

The undepreciated cost of capital assets which are sold or otherwise disposed of is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (2,117.61)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 334,321.66

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term debt that was repaid in the current fiscal year.

Capital Lease Payments	\$ 21,018.25	
Bond Payments	<u>1,225,000.00</u>	1,246,018.25

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 386,968.63

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. (140,266.00)

**Change in Net Position - Governmental Activities** \$ (4,444,201.87)

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



**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>	
Premium Revenues	\$ 2,850,112.39
<b>OPERATING EXPENSES</b>	
Purchased Services	28,717.00
Excess Insurance Premiums	275,485.14
Insurance Claims	2,044,201.01
Service Agent Fees	168,188.49
<b>Total Operating Expenses</b>	<b>2,516,591.64</b>
<b>Operating Income</b>	<b>333,520.75</b>
<b>NONOPERATING REVENUES</b>	
Investment Income	800.91
<b>Change in Net Position</b>	<b>334,321.66</b>
Total Net Position - Beginning	
<b>Total Net Position - Ending</b>	<b>\$ 334,321.66</b>

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

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2013**

		Governmental Activities - Internal Service Fund
		Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Board Funds and Participants	\$	2,850,112.39
Cash Payments to Vendors for Goods and Services		(37,437.11)
Cash Payments for Insurance Claims		(1,595,252.01)
Cash Payments for Other Operating Activities		(1,218,224.18)
		(800.91)
<b>Net Cash Used by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income		800.91
		800.91
<b>Net Increase in Cash and Cash Equivalents</b>		
Cash and Cash Equivalents, Beginning		0.00
<b>Cash and Cash Equivalents, Ending</b>	<b>\$</b>	<b>0.00</b>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>		
Operating Income	\$	333,520.75
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Due from Fiscal Agent		(1,087,306.18)
Due from Excess Insurer		(130,918.00)
Accounts Payable		434,953.52
Estimated Insurance Claims Payable		448,949.00
		(334,321.66)
<b>Total Adjustments</b>		<b>(334,321.66)</b>
<b>Net Cash Used by Operating Activities</b>	<b>\$</b>	<b>(800.91)</b>

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

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2013**

		Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	774,845.70
Accounts Receivable		1,389.20
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>776,234.90</b>
<b>LIABILITIES</b>		
Accounts Payable	\$	6,321.93
Due to Other Funds		2,369.48
Internal Accounts Payable		767,543.49
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>776,234.90</b>

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

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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.

**B. Reporting Entity**

The Jackson 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 Jackson County School District (District) is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. 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 Jackson 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 legally separate 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. Based on these criteria, no component units are included within the District's reporting entity.

**C. Basis of Presentation: Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided or used.

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**D. Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the District's Food Service Program.
- 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).
- Debt Service – Federal Economic Stimulus Fund – to account for interest payments and related interest subsidies for the Build America Bonds.

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

- Internal Service Fund – to account for the District's Employee Health Self-Insurance Program.
- 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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated.

**E. Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized

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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.

The governmental fund financial statements are reported using the current financial resources measurement focus and 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 45 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**F. Assets, Liabilities, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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

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.

**2. Investments**

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

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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 1.11845939 at June 30, 2013. 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.

Investments made locally consist of an intergovernmental investment pool and certificates of deposit. All are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

**3. Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased, except for transportation materials and supplies. Transportation materials and supplies are recorded as expenditures when purchased. However, expenditures are adjusted at June 30 to properly reflect the cost of the inventory in the General Fund for those transportation items on hand as of June 30.

**4. 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 position 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. Certain capital assets acquired or constructed prior to July 1, 1983, are stated at estimated historical costs using price levels at the time of acquisition and, as a result, \$11,415 of stated land values; \$1,391,289.51 of stated buildings values; and \$12,152.60 of stated improvements other than buildings values, are based on these estimates. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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As of June 30, 2013, the reported value of capital assets includes amounts capitalized for improvements to the property acquired under a 50-year operating lease with the Florida Department of Education as follows: buildings, \$926,941.82 and improvements other than buildings, \$64,169.07.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

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

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

**6. Net Position Flow Assumption**

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District’s policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

**7. Fund Balance Flow Assumptions**

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted

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fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board approves the assignment of the fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

**2. State Revenue Sources**

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

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allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

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

**3. 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 Jackson County Property Appraiser, and property taxes are collected by the Jackson County Tax Collector.

The Board adopted the 2012 tax levy on September 13, 2012. 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 Jackson County Tax Collector at fiscal year-end but not yet remitted to the District.

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

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**4. Capital Outlay Surtax**

In November 2005, the voters of Jackson County (County) approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2006, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

**5. 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.

**6. Compensated Absences**

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. The liability for compensated absences includes salary-related benefits, where applicable.

**7. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims, excess coverage premiums, service agent fees, and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash Deposits with Financial Institutions**

*Custodial Credit Risk-Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

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**B. Investments**

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 1,363,028.64
Fund B	3.98 Year Average	59,620.49
Debt Service Accounts	6 Months	29,766.73
Florida Fixed Income Trust (FIT):		
Florida FIT 180	339 Days	1,508,946.30
Florida FIT 1 Year	658 Days	2,519,143.17
Certificates of Deposit (1)	December 2013 - April 2014	77,766.87
<b>Total Investments</b>		<b><u><u>\$ 5,558,272.20</u></u></b>

Note: (1) These investments are reported as cash equivalents 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 limits the length of investments as follows: (1) investments of current operating funds shall have maturities of no longer than two years, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for the funds and in accordance with debt covenant, but in no event shall exceed five years.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

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As of June 30, 2013, the District has the following interest rate risk by fund:

Investment by Fund	Investment Maturities			
	Fair Value	Six Months or Less	Greater Than Six Months to Two Years	Greater Than Two Years
Major Governmental Fund:				
General	\$ 4,827,153.89	\$ 2,286,759.09	\$ 2,519,143.17	\$ 21,251.63
Nonmajor Governmental Funds	653,351.44	614,982.58		38,368.86
Fiduciary Funds	77,766.87	65,751.42	12,015.45	
<b>Total Investments</b>	<b>\$ 5,558,272.20</b>	<b>\$ 2,967,493.09</b>	<b>\$ 2,531,158.62</b>	<b>\$ 59,620.49</b>

Note: Investments that have original maturities of three months or less are considered cash equivalents for financial statement purposes.

➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy limits investments to the SBA’s Florida PRIME; direct obligations of United States Government agencies; certain Federal instrumentalities, interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; repurchase agreements secured by the collateral composed of negotiable direct obligations of the United States Government, United State Government agencies, and Federal and Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper of the highest credit rating; certain banker’s acceptances; certain highly rated state and local government taxable or tax-exempt debt; shares of open-end, no-load mutual funds registered under the Investment Company Act of 1940, provided that the portfolio invests primarily in short-term government bonds and money market funds operated in accordance with Title 17, Section 270.2a-7, Code of Federal Regulations, and provided the mutual fund is rated AA and the money market is rated AAm or AAm-G or better by Standard & Poor’s, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that said funds contain no derivatives. Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval.

The District’s investment in Florida PRIME is rated AAAm by Standard & Poor’s. Fund B is unrated. The District’s investments in Florida FIT are unrated.

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

The District’s investments in certificates of deposit are in qualified public depositories.

➤ Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that securities shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District, should be properly designated as an asset of the District. As of June 30, 2013, all investments are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the District.

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All District investments are in compliance with District policy in relation to interest rate risk, credit risk, and custodial credit risk with the exception of Fund B, in which the District is an involuntary participant.

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 817,412.42	\$	\$	\$ 817,412.42
Construction in Progress	196,107.80		196,107.80	
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,013,520.22</b>		<b>196,107.80</b>	<b>817,412.42</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,590,087.96	22,782.00		3,612,869.96
Buildings and Fixed Equipment	103,592,874.42	535,749.06		104,128,623.48
Furniture, Fixtures, and Equipment	7,231,547.37	369,514.44	355,719.01	7,245,342.80
Motor Vehicles	8,812,236.58	262,814.00	327,880.00	8,747,170.58
Property Under Capital Lease	97,070.00			97,070.00
Audio Visual Materials	67,988.69		1,106.33	66,882.36
Computer Software	1,482,569.86	7,789.58	232,293.35	1,258,066.09
<b>Total Capital Assets Being Depreciated</b>	<b>124,874,374.88</b>	<b>1,198,649.08</b>	<b>916,998.69</b>	<b>125,156,025.27</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,646,425.79	101,635.52		2,748,061.31
Buildings and Fixed Equipment	31,123,057.85	2,818,221.49		33,941,279.34
Furniture, Fixtures, and Equipment	5,853,518.49	444,873.81	353,792.28	5,944,600.02
Motor Vehicles	5,629,891.02	630,501.32	327,880.00	5,932,512.34
Property Under Capital Lease	38,828.00	9,707.00		48,535.00
Audio Visual Materials	43,495.29	5,093.79	1,106.33	47,482.75
Computer Software	1,447,142.95	22,760.05	232,102.47	1,237,800.53
<b>Total Accumulated Depreciation</b>	<b>46,782,359.39</b>	<b>4,032,792.98</b>	<b>914,881.08</b>	<b>49,900,271.29</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>78,092,015.49</b>	<b>(2,834,143.90)</b>	<b>2,117.61</b>	<b>75,255,753.98</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 79,105,535.71</b>	<b>\$ (2,834,143.90)</b>	<b>\$ 198,225.41</b>	<b>\$ 76,073,166.40</b>

The class of property under capital lease is presented in note II.H.

Depreciation expense was charged to functions as follows:

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Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Pupil Transportation Services	\$ 605,344.31
Unallocated	3,427,448.67
Total Depreciation Expense - Governmental Activities	\$ 4,032,792.98

**D. Florida Retirement System**

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

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

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

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

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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 2012-13 fiscal year were as follows:

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
FRS, Senior Management Service	3.00	6.30
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, 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, 2011, June 30, 2012, and June 30, 2013, totaled \$3,845,454.11, \$2,544,253.57, and \$2,617,055.61, respectively, which were equal to the required contributions for each fiscal year.

There were 88 District participants in the Investment Plan during the 2012-13 fiscal year. The District’s contributions, including employee contributions to the Investment Plan totaled \$212,317.47, which was equal to the required contribution for the 2012-13 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.

**E. Other Postemployment Benefit Obligations**

**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

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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 recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 100 retirees received other postemployment benefits. The District’s contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$436,330. The OPEB Plan members receiving benefits contributed \$688,711.16 through their required contributions ranging from \$444 to \$559 per month for retiree-only coverage, and from \$813 to \$1,025 for retiree and spouse coverage, depending on the health plan selected.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 290,393
Amortization of Unfunded Actuarial Accrued Liability	<u>288,508</u>
Annual Required Contribution	578,901
Interest on Net OPEB Obligation	40,706
Adjustment to Annual Required Contribution	<u>(43,011)</u>
Annual OPEB Cost (Expense)	576,596
Contribution Toward the OPEB Cost	<u>(436,330)</u>
Increase in Net OPEB Obligation	140,266
Net OPEB Obligation, Beginning of Year	<u>1,118,294</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,258,560</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 677,504	56.13%	\$ 818,298
2011-12	712,295	57.88%	1,118,294
2012-13	576,596	75.67%	1,258,560

**Funded Status and Funding Progress.** As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$7,368,309, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,368,309 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,047,280, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.97 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District’s OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and the District’s 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.64 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.64 percent per year, projected salary increases of 4 percent to 8.375 percent, and an annual healthcare cost trend rate of 5 percent beginning January 1, 2013, increasing to 8 percent on January 1, 2014, and reduced to an ultimate rate of 5.43 percent after 10 years. The investment rate of return and payroll salary increase rate include a general price inflation of 3 percent. The unfunded actuarial accrued

**JACKSON COUNTY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

liability is being amortized as a level percentage of projected payroll on a closed basis over a 30 year period. The remaining amortization period at June 30, 2013, was 25 years.

**F. Other 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 District had \$18,021.48 in encumbrances for the General Fund at June 30, 2013.

**G. 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 Jackson County District School Board is a member of the Panhandle Area Educational Consortium - 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, employee dishonesty, equipment breakdown, 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 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.

From July 2012 to December 2012, the District's health and hospitalization coverage were provided through commercial insurance with minimum deductibles for each line of coverage.

In January 2013, the District began participating in an employee group health insurance program administered through the Consortium. Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

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

A liability in the amount of \$448,949 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2013. The actuarial basis utilized the June 2013 enrollment and the premium equivalent rates provided by the District's insurance consultant. The rates from the richest plan were utilized, creating a slightly conservative bias, as the rates did not vary excessively by plan. The reserve estimate is equal to one month of premium equivalent funding; however, excluding 10 percent of the fund under the assumption that 10 percent of the premium equivalent rates represent administrative costs.

Because of the relatively short payment pattern of the claims, there is no discounting for present value and no provision for trend (change in claims cost per unit over time) other than that inherent in the claim data.

**JACKSON COUNTY  
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JUNE 30, 2013**

The following schedule represents the changes in claims liability for the reporting period for the District's self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2012-13	\$ 0.00	\$ 2,044,201.01	\$ (1,595,252.01)	\$ 448,949.00

**H. Obligation Under Capital Lease**

The class and amount of property being acquired under capital lease is as follows:

	<u>Asset Balance</u>
Motor Vehicle - Dump Truck	<u>\$ 97,070</u>

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 6,791.96</u>	<u>\$ 6,722.73</u>	<u>\$ 69.23</u>

**I. Long-Term Liabilities**

**1. Bonds Payable**

Bonds payable at June 30, 2013, 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 2005B, Refunding	\$ 995,000	5.0	2018
Series 2009A, Refunding	75,000	5.0	2019
District Revenue and Refunding Bonds:			
Series 2003	4,780,000	3.625 - 4.750	2033
Sales Tax Bonds:			
Series 2010 (1)	<u>2,420,000</u>	3.69	2015
Total Bonds Payable	<u>\$ 8,270,000</u>		

Note: (1) Build America Bonds - Stated interest rate is 3.69 percent. The effective interest rate is 2.398 percent, which is net of the direct subsidy payments.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ State School Bonds

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

➤ District Revenue and Refunding Bonds

These bonds are generally referred to as Capital Improvement Revenue and Refunding Bonds, Series 2003 and are authorized by Chapter 73-498, Special Acts of 1973, as amended by Chapter 74-501, Special Acts of 1974, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Jackson County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2011)). The District has pledged as sole security for the bonds, the entire annual distribution of pari-mutuel tax proceeds of \$371,500, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2033. Approximately 98 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The Series 2003 bonds, totaling \$6 million, were issued to provide funds, together with other available funds of the Board, sufficient to refund the District's outstanding Refunding Revenue Bonds, Series 1987, and Series 1994; finance the costs of acquisition, construction, and installation of, and renovation to, certain capital improvements and educational facilities within the District, and pay costs associated with the issuance of the bonds.

➤ Sales Tax Revenue Bonds of 2010 (Build America Bonds)

These bonds are issued pursuant to and under the authority of the Constitution and the laws of the State of Florida, Chapters 1000 through 1013, Florida Statutes, Section 212.055, Florida Statutes, and other applicable provisions of law, and Resolution No. 02-16-10-01 passed and adopted by the Board as the governing body of the District on February 16, 2010. The District issued the bonds in the amount of \$5,050,000, to provide for the deposit of moneys to various funds and accounts established pursuant to the resolution to pay for the acquisition, construction, and improvements to various heating, ventilation, and air-conditioning and lighting upgrades throughout the District and to pay the costs of issuing the bonds. The District has pledged, as sole security for the bonds, all amounts collected from the half-cent local option sales tax which became effective January 1, 2006, and will expire on December 31, 2015. The pledged revenue is committed until final maturity of the debt on September 1, 2015. Pursuant to the bond resolution, no reserve account is required. Instead, the District will transfer pledged funds to a debt service fund to provide payment of debt service on the bonds.

The District has elected to treat the bonds as Build America Bonds within the meaning of Section 54AA(d) of the Internal Revenue Code of 1986, as amended. Consequently, the District is eligible to receive refundable tax credits (interest subsidy payments) from the United States Treasury

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

pursuant to the provisions of Section 6431 of the Internal Revenue Code. The interest subsidy payments are equal to 35 percent of each semiannual interest payment made according to the debt service schedule.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 243,500.00	\$ 190,000.00	\$ 53,500.00
2015	239,000.00	195,000.00	44,000.00
2016	244,250.00	210,000.00	34,250.00
2017	248,750.00	225,000.00	23,750.00
2018	247,500.00	235,000.00	12,500.00
2019	15,750.00	15,000.00	750.00
<b>Total State School Bonds</b>	<b>1,238,750.00</b>	<b>1,070,000.00</b>	<b>168,750.00</b>
District Revenue Bonds:			
2014	360,449.39	145,000.00	215,449.39
2015	360,008.76	150,000.00	210,008.76
2016	359,193.13	155,000.00	204,193.13
2017	357,990.00	160,000.00	197,990.00
2018	356,407.50	165,000.00	191,407.50
2019-2023	1,792,212.50	955,000.00	837,212.50
2024-2028	1,786,487.50	1,200,000.00	586,487.50
2029-2033	1,772,306.25	1,505,000.00	267,306.25
2034	353,193.75	345,000.00	8,193.75
<b>Total District Revenue Bonds</b>	<b>7,498,248.78</b>	<b>4,780,000.00</b>	<b>2,718,248.78</b>
Sales Tax Revenue Bonds:			
2014	1,020,718.75	940,000.00	80,718.75
2015	1,025,663.75	980,000.00	45,663.75
2016	509,225.00	500,000.00	9,225.00
<b>Total Sales Tax Revenue Bonds</b>	<b>2,555,607.50</b>	<b>2,420,000.00</b>	<b>135,607.50</b>
<b>Total</b>	<b>\$ 11,292,606.28</b>	<b>\$ 8,270,000.00</b>	<b>\$ 3,022,606.28</b>

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**2. 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					
Obligation Under Capital Lease	\$ 27,740.98	\$	\$ 21,018.25	\$ 6,722.73	\$ 6,722.73
Bonds Payable	9,495,000.00		1,225,000.00	8,270,000.00	1,275,000.00
Compensated Absences Payable	3,749,110.53	196,381.88	583,350.51	3,362,141.90	132,830.22
Other Postemployment Benefits Payable	1,118,294.00	576,596.00	436,330.00	1,258,560.00	
Total Governmental Activities	<u>\$ 14,390,145.51</u>	<u>\$ 772,977.88</u>	<u>\$ 2,265,698.76</u>	<u>\$ 12,897,424.63</u>	<u>\$ 1,414,552.95</u>

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

**J. Fund Balance Reporting**

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is 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.
- **Unassigned Fund Balance.** The unassigned fund balance is 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.

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**K. Interfund Receivables and Payables**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 215,934.50	\$ 3,120.42
Special Revenue:		
Food Service	420.23	
Other	2,617.15	207,098.74
Federal Economic Stimulus	83.04	4,405.75
Nonmajor Governmental		2,060.53
Fiduciary		2,369.48
<b>Total</b>	<b>\$ 219,054.92</b>	<b>\$ 219,054.92</b>

The above interfund receivables and payables primarily represent amounts due to the General Fund for expenditures incurred prior to reimbursements from outside parties. These amounts are expected to be repaid within one year.

**L. Revenues and Expenditures/Expenses**

**1. Schedule of State Revenue Sources**

The following is a schedule of the District’s State revenue sources for the 2012-13 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 25,936,644.00
Categorical Educational Program - Class Size Reduction	7,054,446.00
Adults with Disabilities	1,019,247.00
Voluntary Prekindergarten	424,754.55
Workforce Development Program	418,859.00
School Recognition	369,822.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	293,577.09
Food Service Supplement	58,527.00
Miscellaneous	439,072.22
<b>Total</b>	<b>\$ 36,014,948.86</b>

Accounting policies relating to certain State revenue sources are described in note I.G.2.

**2. Property Taxes**

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.409	\$ 8,491,130.48
Basic Discretionary Local Effort	0.748	1,174,221.78
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	0.250	392,453.80
Total	6.407	\$ 10,057,806.06

**M. Interfund Transfers**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 862,665.20	\$
Nonmajor Governmental	984,455.98	1,847,121.18
Total	\$ 1,847,121.18	\$ 1,847,121.18

Transfers to the General Fund were to finance maintenance projects and to pay for a portion of property casualty insurance premiums. Transfers to the nonmajor governmental funds were for sales tax revenue bond payments.

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2013**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	275,000.00	271,401.15	271,401.15	
State	35,948,691.42	35,295,692.19	35,295,692.19	
Local:				
Property Taxes	9,264,572.00	9,347,537.82	9,347,537.82	
Charges for Services - Food Service				
Miscellaneous	1,030,000.00	997,119.99	997,119.99	
Total Local Revenues	<u>10,294,572.00</u>	<u>10,344,657.81</u>	<u>10,344,657.81</u>	
<b>Total Revenues</b>	<u>46,518,263.42</u>	<u>45,911,751.15</u>	<u>45,911,751.15</u>	
<b>Expenditures</b>				
Current - Education:				
Instruction	27,000,000.00	27,113,998.43	27,104,676.95	9,321.48
Pupil Personnel Services	3,200,000.00	3,215,558.99	3,215,558.99	
Instructional Media Services	725,000.00	735,837.62	735,837.62	
Instruction and Curriculum Development Services	980,000.00	857,615.02	857,615.02	
Instructional Staff Training Services	104,500.00	87,449.16	87,449.16	
Instruction Related Technology	762,000.00	707,913.40	707,913.40	
School Board	395,000.00	626,460.86	626,460.86	
General Administration	375,000.00	381,273.59	381,273.59	
School Administration	3,725,000.00	3,822,660.47	3,822,660.47	
Facilities Acquisition and Construction	403,748.00	415,020.73	406,320.73	8,700.00
Fiscal Services	415,000.00	328,063.14	328,063.14	
Food Services		4,369.21	4,369.21	
Central Services	507,000.00	532,503.36	532,503.36	
Pupil Transportation Services	3,025,000.00	2,963,093.59	2,963,093.59	
Operation of Plant	5,650,000.00	5,706,983.78	5,706,983.78	
Maintenance of Plant	1,960,000.00	1,912,064.21	1,912,064.21	
Administrative Technology Services	561,000.00	579,208.07	579,208.07	
Community Services	48,600.00	20,941.66	20,941.66	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		266,585.27	266,585.27	
Other Capital Outlay		227,692.72	227,692.72	
Debt Service:				
Principal	21,018.25	21,018.25	21,018.25	
Interest and Fiscal Charges	857.75	857.75	857.75	
<b>Total Expenditures</b>	<u>49,858,724.00</u>	<u>50,527,169.28</u>	<u>50,509,147.80</u>	<u>18,021.48</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(3,340,460.58)</u>	<u>(4,615,418.13)</u>	<u>(4,597,396.65)</u>	<u>18,021.48</u>
<b>Other Financing Sources</b>				
Transfers In	576,180.00	862,665.20	862,665.20	
Insurance Loss Recoveries		49,943.09	49,943.09	
<b>Total Other Financing Sources</b>	<u>576,180.00</u>	<u>912,608.29</u>	<u>912,608.29</u>	
<b>Net Change in Fund Balances</b>	<u>(2,764,280.58)</u>	<u>(3,702,809.84)</u>	<u>(3,684,788.36)</u>	<u>18,021.48</u>
Fund Balances, Beginning	14,986,621.63	14,986,621.63	14,986,621.63	
<b>Fund Balances, Ending</b>	<u>\$ 12,222,341.05</u>	<u>\$ 11,283,811.79</u>	<u>\$ 11,301,833.27</u>	<u>\$ 18,021.48</u>

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,882,660.00	\$ 2,899,790.58	\$ 2,899,790.58	\$	\$ 1,805,927.00	\$ 1,805,927.00	\$ 1,805,927.00	\$
60,750.00	58,527.00	58,527.00		2,609,398.00	5,275,720.48	4,500,052.45	(775,668.03)
999,720.00	833,285.90	833,285.90					
60,000.00	30.37	30.37					
1,059,720.00	833,316.27	833,316.27					
4,003,130.00	3,791,633.85	3,791,633.85		4,415,325.00	7,081,647.48	6,305,979.45	(775,668.03)
				2,929,736.20	4,939,058.05	4,466,534.66	472,523.39
				234,785.00	277,178.46	240,107.55	37,070.91
				538,212.80	634,366.38	582,573.54	51,792.84
				127,282.00	329,330.15	223,117.75	106,212.40
				62,100.00	150,400.75	123,332.74	27,068.01
				145,589.00	224,236.63	219,323.23	4,913.40
				83,550.00	80,586.26	80,586.26	
				32,000.00			
4,003,130.00	3,791,633.85	3,753,014.24	38,619.61	20,500.00	21,231.00	21,231.00	
				5,175.00	18,674.52	16,601.67	2,072.85
				150,800.00	90,911.71	16,897.48	74,014.23
				85,295.00	78,780.42	78,780.42	
				300.00	5.73	5.73	
					236,887.42	236,887.42	
4,003,130.00	3,791,633.85	3,753,014.24	38,619.61	4,415,325.00	7,081,647.48	6,305,979.45	775,668.03
		38,619.61	38,619.61				
		38,619.61	38,619.61				
\$ 0.00	\$ 0.00	\$ 38,619.61	\$ 38,619.61	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS (Continued)  
For the Fiscal Year Ended June 30, 2013**

	Special Revenue - Federal Economic Stimulus Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State		318,766.89	179,661.07	(139,105.82)
Local:				
Property Taxes				
Charges for Services - Food Service				
Miscellaneous				
Total Local Revenues				
<b>Total Revenues</b>		<b>318,766.89</b>	<b>179,661.07</b>	<b>(139,105.82)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction		89,219.43	43,141.98	46,077.45
Pupil Personnel Services				
Instructional Media Services				
Instruction and Curriculum Development Services		77,028.81	44,261.37	32,767.44
Instructional Staff Training Services		141,958.02	85,580.67	56,377.35
Instruction Related Technology				
School Board				
General Administration		8,810.63	5,217.88	3,592.75
School Administration				
Facilities Acquisition and Construction				
Fiscal Services				
Food Services				
Central Services		1,750.00	1,459.17	290.83
Pupil Transportation Services				
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services				
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
<b>Total Expenditures</b>		<b>318,766.89</b>	<b>179,661.07</b>	<b>139,105.82</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
<b>Other Financing Sources</b>				
Transfers In				
Insurance Loss Recoveries				
<b>Total Other Financing Sources</b>				
<b>Net Change in Fund Balances</b>				
Fund Balances, Beginning				
<b>Fund Balances, Ending</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

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

Actuarial Valuation Date	Actuarial Value of Assets  (A)	Actuarial Accrued Liability (AAL) - (1)  (B)	Unfunded AAL (UAAL)  (B-A)	Funded Ratio  (A/B)	Covered Payroll  (C)	UAAL as a Percentage of Covered Payroll  [(B-A)/C]
October 1, 2007	\$ 0	\$ 9,113,684	\$ 9,113,684	0%	\$ 24,260,227	37.57%
October 1, 2010	0	8,882,488	8,882,488	0%	22,718,613	39.10%
October 1, 2012	0	7,368,309	7,368,309	0%	23,047,280	31.97%

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

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

**I. BUDGETARY BASIS OF ACCOUNTING**

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

**II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

The October 1, 2012, unfunded actuarial accrued liability of \$7,368,309 was significantly lower than the October 1, 2010, liability of \$8,882,488 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently receiving postemployment health benefits through the District core plan increased from 81 in the October 1, 2010, valuation to 100 in the October 1, 2012, valuation, increasing the cost and liability. Conversely, the number of active employees eligible for future postemployment benefits decreased from 675 in the October 1, 2010, valuation to 609 in the October 1, 2012, valuation, decreasing the cost and liability.
- The total cost of coverage increased from \$599 per employee per month (as expected for year beginning October 1, 2010) to \$624 per employee per month for year beginning October 1, 2012. This is lower than the projected \$709 per employee per month, decreasing the cost and liability.
- Revisions were made in the assumed trend of Medical/Rx cost increases. In the October 1, 2012, valuation, it was assumed the trends costs and premiums would be 8 percent for the year beginning January 1, 2013, reduced to 7.5 percent in the following year with subsequent trend rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. Revisions were made to trend rates for costs and premiums charged to retirees beginning January 1, 2013, to be 5 percent higher for costs and premiums (to reflect actual premium increases) than for the year beginning January 1, 2012. A similar pattern was then followed: 8.0 percent for costs and premiums for year beginning January 1, 2014, and decreasing by 0.5 percent each subsequent year until reaching the ultimate value of 5 percent, decreasing the cost and liability.
- The District Plan is not projected to be assessed the Excise Tax on High-cost Employer Health Plans until at least 2023. It is estimated that absent any plan changes, this will result in a 0.14 percent increase in the cost of coverage for the plan year 2023, followed by a 0.43 percent increase for the plan year 2024 and all subsequent years, in addition to 5 percent medical inflation assumed for each year for a total increase of 5.43 percent over the previous plan year. This change increased the cost and liability.
- Revisions have been made to the assumed rate of coverage acceptance and continuation. In the October 1, 2010, valuation, it was assumed that 40 percent of retiring employees under the age of 65

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

would elect to continue medical coverage through the District's plan. Additional data collected for the October 1, 2012, valuation, suggests that more retirees have been making that choice in the recent years and, consequently, it is now assumed that 50 percent of employees will elect to keep the coverage upon retirement, increasing the cost and liability. Similarly, revisions were also made to the lapsing rate of retirees attaining age 65 to 85 percent in the October 1, 2012, valuation, compared to 80 percent used in the October 1, 2012, valuation, decreasing the cost and liability. Furthermore, since surviving spouses are no longer eligible to continue coverage under the core plan, this change decreased the cost and liability.

- Revisions were made in the assumption pertaining to the cost of coverage for retirees eligible for Medicare. In the October 1, 2012, valuation, it was assumed that the employer's costs to the Plan for claims incurred by a retiree enrolled in both Parts A and B of Medicare would be 40 percent lower than the cost of the same claim incurred by a retiree who was not eligible for Medicare benefits. This offset is referred to as "Medicare offset," although some of it may be paid by a retiree. The percentage was revised to 45 percent, decreasing the cost and liability.
- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing the cost and liability.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 725,895.60
National School Lunch Program	10.555 (2)	300, 350	<u>2,162,395.24</u>
<b>Total Child Nutrition Cluster</b>			<u>2,888,290.84</u>
Florida Department of Agriculture and Consumer Services:			
Specialty Crop Block Grant Program - Farm Bill	10.170	019833	1,581.62
Team Nutrition Grants	10.574	018538	<u>12,001.52</u>
<b>Total United States Department of Agriculture</b>			<u>2,901,873.98</u>
<b>United States Department of Education:</b>			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (4)	263	1,938,223.31
Special Education - Preschool Grants	84.173	267	54,280.33
University of South Florida:			
Special Education - Grants to States	84.027 (4)	None	<u>70,820.56</u>
<b>Total Special Education Cluster</b>			2,063,324.20
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	127,200.17
Title I Grants to Local Educational Agencies	84.010	212, 223	1,677,556.12
Career and Technical Education - Basic Grants to States	84.048	161	141,344.57
Rural Education	84.358	110	141,454.91
Improving Teacher Quality State Grants	84.367	224	347,590.86
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RG311	179,661.07
Washington County District School Board:			
Mathematics and Science Partnerships	84.366	None	<u>70,750.27</u>
<b>Total United States Department of Education</b>			<u>4,748,882.17</u>
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600 (3)	N/A	<u>1,805,927.00</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 9,456,683.15</u>

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

(2) Noncash Assistance - National School Lunch Program. Includes \$187,884.03 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Head Start. All expenditures are for grant number/program year 04CH0382/22.

(4) Special Education. Total CFDA No. 84.027 expenditures: \$2,009,043.87.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
FAX: 850-488-6975

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

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

## Report on the Financial Statements

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2013, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described on our report on the Jackson County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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.

### **Purpose of this Report**

The purpose of the **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 solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
December 12, 2013



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Report on Compliance for Each Major Federal Program

We have audited the Jackson 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, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. Our opinion on each major Federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the Exhibit A. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 that we consider to be a significant deficiency.

The District's response to the internal control over the compliance finding identified in our audit is included as Exhibit A. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
December 12, 2013

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
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:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553 and 10.555	Child Nutrition Cluster
84.395	State Fiscal Stabilization Fund
	(SFSF) – Race-to-the-Top Incentive
	Grants, Recovery Act
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**ADDITIONAL MATTERS**

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

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)(4).b., Florida Statutes, provides that for instructional personnel, the Board must provide for 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 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.

While the salary schedule and union contract provided for certain types of differentiated pay, without a Board-established documented process for determining which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2012-080 and 2013-130.

**Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.**

**Finding No. 2: Contractual Services**

The Board routinely enters into contracts for services, and internal controls have been designed and implemented to ensure payments are generally consistent with contract terms and conditions. To determine the propriety of payments for contractual services, we tested 15 payments totaling \$207,526.64 for 14 contracts. Three of the 14 contracts were pursuant to Board-approved contracts for school resource officer (SRO) services, and we noted controls over these contracts could be enhanced, as follows:

- The Sheriff was responsible for providing services during school hours at District schools using eight SROs and SRO extra-curricular services beyond school hours. For services during school hours, the contract established 12 monthly payments of \$26,858 for the eight SROs, plus a partial reimbursement for gas costs. For the 2012-13 fiscal year, the District paid a total of \$322,296 and \$26,343 for services provided during school hours and beyond school hours, respectively. The contract provided that the Sheriff's patrol captain would work with each principal to schedule the SRO services during school hours and coordinate the extra-curricular services. However, the contract did not specify the SRO services that would be provided

during the school hours, the schools that would receive the services, the expected times that the services would be performed, or the rate of pay for the extra-curricular services. District personnel indicated that principals verbally approved payments for SRO services from July 2012 to November 2012 and, starting in December 2012, SROs signed and dated monthly sign-in documents that were approved by principals. However, these documents did not identify the arrival and departure work times for 7 of the 8 SROs.

- The Cities of Marianna and Graceville were responsible for providing certain SRO services. The City of Marianna was responsible for one SRO to serve at two schools and the District paid a total of \$32,253 for these services for the 2012-13 fiscal year. Also, the City of Graceville was responsible for one SRO at one school, and the District paid a total of \$25,560 for these services for the 2012-13 fiscal year. Both contracts provided that principals would assign SROs their duties, which would be performed during school hours. While the City of Graceville contract required the SROs to perform services eight hours a day for 180 days, the City of Marianna contract did not specify the expected times the services would be provided. District personnel indicated that principals verbally approved payments for SRO services from July 2012 to November 2012 and, starting in December 2012, SROs signed and dated monthly sign-in documents that were approved by principals. However, these documents did not identify the arrival and departure work times for the SROs.

Without effective procedures to establish contracts identifying SRO services, service locations, times, and related rates, and to ensure that SRO services were satisfactorily received, there is an increased risk of overpayment or that services may not be consistent with Board intentions. A similar finding was noted in our report No. 2013-130.

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**Recommendation: The District should enhance its monitoring procedures over SRO services to ensure contracts identify the schools to receive the services, expected timeframes of the services, and hourly rates, and satisfactory receipt of services is documented before payments are made.**

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### **Finding No. 3: Facilities Management**

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The facilities department is responsible for managing outsourced construction, maintenance of schools and ancillary facilities, and ensuring facilities are safe and suitable for their intended use. During the 2012-13 fiscal year, the District employed 31 maintenance employees and 2 facilities employees, and the District's facilities department operating cost was \$2.3 million. Also, during this fiscal year, the District had expenditures totaling approximately \$554,740 for capital projects fund renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 17, 2013, the District planned to spend \$9.4 million on construction and renovation projects and \$1.7 million on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$108.6 million and, as shown on the Florida Department of Education's (FDOE) Florida Inventory of School Houses data, District facilities had an average age of 37 years.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional bid-build

methods. In addition, maintenance-related jobs, such as plumbing, electrical, and heating, ventilation, and air-conditioning repairs, are routinely performed by facilities department personnel based on safety and suitability priorities, although some jobs are outsourced to contractors. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.

- **Accountability.** Although the facilities department used software to track work order open and close dates, it had not established goals that identify cost effectiveness or efficiency outcomes. To adequately establish outcome measures, the facilities department could set goals such as completing renovation or remodeling projects, or maintenance jobs, that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project did not initially meet building code requirements, and to compare project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities department is operating as cost-effectively and efficiently as possible.

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**Recommendation: The District should develop written policies and procedures requiring the periodic evaluation of alternative facilities construction methods or significant maintenance-related job techniques, and document these evaluations. In addition, the District should develop goals and objectives for the facilities department to identify cost-effectiveness or efficiency outcomes for department personnel.**

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#### **Finding No. 4: Adult General Education Classes**

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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 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE's instructional hours reporting procedures.

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. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. In addition, instructional contact hours must be within the constraints of reasonable attendance hours, which should be the number of hours they are reasonably expected to attend.

For the 2012-13 fiscal year, the District reported to the FDOE 51,155 instructional contact hours for 195 students enrolled in 490 adult general education classes. Our review of 9,887 hours reported for 30 students enrolled in 88 adult general education classes disclosed a net of 260 hours under-reported for 25 students in 47 classes primarily because District personnel did not confirm the accuracy of hours reported to the FDOE. Other causes for the misreported hours included not limiting class hours to those that could be reasonably attended and use of incorrect

student entrance and exit dates. Given the number of errors, the full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly.

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

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#### **Finding No. 5: Self-Insurance Program**

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In January 2013, the District began providing for employee health, accident, and hospitalization coverage through a self-insurance plan pursuant to Section 112.08, Florida Statutes, and joined the Panhandle Area Educational Consortium – Risk Management Consortium - Health Program (Consortium) to administer the self-insurance program. Member school districts of the Consortium share the responsibility for the administrative costs and premiums assessed each district are based on member district previous claims experience as each member district is responsible for their claims and their individually-funded self-insured plans. Section 112.08(2)(b), Florida Statutes, requires the District to submit its plan, along with a certification as to the actuarial soundness of the plan, to the Florida Department of Financial Services, Office of Insurance Regulation (OIR) for plan approval. The statute further provides that OIR will not approve the self-insured plan unless it determines that the plan is designed to provide sufficient revenues to pay current and future liabilities as determined according to generally accepted actuarial principles.

The District did not timely submit its self-insurance plan, along with a certification as to the actuarial soundness of the plan, to the OIR for approval. District personnel indicated that the required information was not initially submitted to OIR because they relied on a consultant for the Consortium that indicated approval was not needed. Subsequent to our inquiry, the District submitted its plan and actuarial certification to OIR on October 3, 2013, or 275 days after the initial plan start date and, as of November 19, 2013, the District had not obtained OIR approval. Without obtaining initial approval of the plan from OIR, the District may limit OIR's ability to provide proper monitoring of the plan and the risk is increased that the self-insurance plan may not be actuarially sound.

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**Recommendation:** The District should enhance its procedures to ensure that initial health self-insurance plans and related actuarial certifications are timely filed with, and approved by, the OIR.

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#### **Finding No. 6: Financial Reporting**

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Preparation of fund financial statements pursuant to generally accepted accounting principles requires an analysis to determine the major funds that require separate columnar presentation. The District is required to report a governmental fund as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications. In addition, the FDOE requires major fund reporting of account balances and transactions for debt service funded by the American Recovery and Reinvestment Act (ARRA) in the ARRA Economic Stimulus Debt Service Fund.

Our review of the District's 2012-13 fiscal year annual financial report, as submitted to the FDOE and presented for audit, disclosed that the District's financial reporting procedures could be improved. The District inadvertently

reported certain ARRA revenues and expenditures totaling \$40,114.68 each in the Other Governmental Funds column instead of reporting these transactions in the ARRA Economic Stimulus Debt Service Fund in accordance with FDOE guidance. District personnel indicated that this financial reporting error occurred because they were unaware of the FDOE ARRA reporting requirements.

Separately reporting major funds, pursuant to the FDOE guidance, allows financial statement users to readily identify ARRA account balances and transactions. We extended our audit procedures to determine the adjustments necessary to properly report the account balances and transactions, and District personnel accepted these adjustments. Similar findings were noted in our report Nos. 2012-080 and 2013-130.

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

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## FEDERAL AWARDS FINDING AND QUESTIONED COSTS

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### Federal Awards Finding No. 1:

**Federal Agency: United States Department of Agriculture**

**Pass-Through Entity: Florida Department of Agriculture and Consumer Services**

**Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)**

**Finding Type: Noncompliance and Significant Deficiency**

**Questioned Costs: None**

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**Eligibility and Special Tests and Provisions - Verification.** Title 7, Section 245.6a.(a), Code of Federal Regulations (CFR), requires the District to establish eligibility criteria for free and reduced price meals and free milk in conformity with the family-size income standards published by the United States Department of Agriculture. Also, Title 7, Section 245.6a(a), CFR, provides that the District must verify the current eligibility of households selected from a sample of applications approved for free and reduced price meals. The sample must generally be drawn from error prone applications defined as within \$1,200 of the annual income limit or \$100 of the monthly income limit for free or reduced price meal eligibility. Before performing the verification process, someone other than the individual making the initial eligibility determination must review the application for accuracy.

Further, Title 7, Section 245.6a(j), CFR, requires the District to send a written notice of adverse action to all households for which benefits are to be reduced or terminated as a result of the verification procedures 10 calendar days in advance of the change. The notice must advise the household of information, such as the change in benefits, the reason for the change, appeal process to occur within 10 calendar days after the advance notice, and right to reapply for free or reduced price meals during the school year.

The District operated a school food service program at each school that provided meals to participating students, and the District received Federal reimbursements totaling \$2.7 million for the 2012-13 fiscal year. District personnel indicated that they chose to use the standard verification process (3 percent of error prone applications), verified 30 applications, and had a 100 percent response rate, resulting in no change in status for 27 applications, change in status from reduced to free for 1 application, and from free to paid for 2 applications. Based on our review of District records and inquiry with District personnel, we noted:

- No one other than the initial approver reviewed the applications for accuracy.
- District personnel could not locate one of the 30 applications that they selected for verification, and income documentation was unavailable for any of the 30 applications selected for verification. District personnel

indicated these exceptions occurred because the food service program relocated offices, changed general managers, and this information was misplaced.

- The District terminated meal benefits for 2 of the 30 applications selected for verification and sent notices of these adverse actions to respective families. While the notices identified terminated benefits and reasons for the terminations, the notices did not disclose that the appeal process must occur within 10 calendar days after the advance notice, and the right to reapply for free or reduced price meals during the school year.

As the District receives Federal reimbursement for the cost of meals served to students, it is important that the meal status of each student be properly supported by applications that document independent review for accuracy, and appropriate disclosures to families when meal status changes are made.

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**Recommendation: The District should enhance its verification procedures to ensure independent review of applications for accuracy, records of income verifications are appropriately maintained, and notices of adverse actions contain required information.**

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District Contact Person: Cheryl McDaniel, Deputy Superintendent

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-130. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-130, Finding No. 3	Audit Report No. 2012-080, Finding No. 4
2	Audit Report No. 2013-130, Finding No. 4	NA
6	Audit Report No. 2013-130, Finding No. 1	Audit Report No. 2012-080, Finding No. 1

NA – Not Applicable (Note: Above chart limits findings to two previous audit reports.)

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

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

*JACKSON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013*

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
2013-130		There were no prior Federal audit findings.		

EXHIBIT A  
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF JACKSON COUNTY



Steve R. Benton Sr.  
Superintendent of Schools

2903 Jefferson Street  
P. O. Box 5958  
Marianna, Florida 32447  
Telephone 850-482-1200  
Fax 850-482-1299

December 12, 2013

Subject: District Response to Preliminary and Tentative Audit Findings for the  
Year Ended 6/30/13.

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

Dear Mr. Martin:

In regard to your letter dated November 20, 2013, please find the enclosed response to the  
"Preliminary and Tentative Audit Findings" for the Jackson County School District for  
the fiscal year ended June 30, 2013.

We would like to thank your staff for their usual courtesy and professionalism during the  
course of the audit. Please call me if you have questions or comments.

Sincerely,

Steve R. Benton  
Superintendent

Attachment: Jackson County DSB Response

Terry E. Nichols  
District 1

Kenneth R. Griffin  
District 2

Stacey B. Goodson  
District 3

Chris M. Johnson  
District 4

Charlotte M. Gardner  
District 5

*An Equal Opportunity Employer*

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

JACKSON COUNTY SCHOOL BOARD  
RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**ADDITIONAL MATTERS:**

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

District committees are developing a set of criteria that would ensure that differentiated pay of instructional personnel is appropriately identified on salary schedules.

**Finding No. 2: Contractual Services**

The District will continue to enhance the language of the SRO contract to include defined services and hours of responsibility in order to ensure the services are received prior to payment.

**Finding No. 3: Facilities Management**

The District will proceed with the development of policies and procedures to evaluate the cost-effectiveness and efficiency of the facilities operations.

**Finding No. 4: Adult General Education Courses**

The District continues to review the controls put in place to remedy this issue. Staff have met and discussed the inaccurate reporting. In the future, edits will be reviewed with each reporting period to ensure accuracy.

**Finding No. 5: Self Insurance Program**

The District will strengthen its procedures to ensure that health self-insurance plans and actuarial certifications are timely filed the Office of Insurance Regulations.

**Finding No. 6: Financial Reporting**

The District will strengthen its review and preparation of the annual financial statements in order to ensure accuracy.

**FEDERAL AWARDS:**

**Finding No. 1: Eligibility and Special Tests and Provisions-Verification: Child Nutrition Cluster**

**(Questioned Cost: None)**

The District will enhance its verification procedures to ensure independent review of applications. The District will maintain verification records more efficiently and will ensure that the notice of adverse action contains required information.