

MADISON COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Fain Poppell, Vice Chair from 11-20-12	1
Kenneth Hall, Chair to 11-19-12	2
VeEtta L. Hagan	3
Clyde Alexander, Jr., to 11-19-12, Vice Chair	4
Karen Pickles from 11-20-12	4
Bart Alford, Chair from 11-20-12	5

Lou S. Miller, Superintendent to 11-19-12
K. Douglas Brown, 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 Tiffany R. Wilson, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**MADISON 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 electronic funds transfers and bank withdrawals could be enhanced.

Finding No. 3: Controls over monitoring school bus drivers 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 allow five after school/summer program employees to participate in the Florida Retirement System (FRS), contrary to FRS guidelines, or obtain District health insurance coverage, contrary to Board policies.

Finding No. 6: Controls over facilities maintenance activities could be enhanced.

Finding No. 7: Certain information technology security controls related to data loss prevention needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Safe and Drug-Free Schools and Communities, Twenty-First Century, School Improvement Grants Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: Required documentation to support personnel charges of Federal programs was not always maintained, contrary to Federal regulations.

Audit Objectives and Scope

Our audit objectives were to determine whether the Madison 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. 2013-140.

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

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

INDEPENDENT AUDITOR'S REPORT

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 Madison 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 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 14 percent of the assets and 80 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based 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.

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

Emphasis of Matter

As discussed in note II.A to the financial statements, the Madison County Foundation for Excellence in Education, Inc., has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2012-13 fiscal year.

As discussed in note II.B to the financial statements, the District changed the funds it used to report American Recovery and Reinvestment Act debt service and capital projects financial information for the 2012-13 fiscal year.

These affect the comparability of amounts reported on the financial statements for the 2012-13 fiscal year with amounts reported on the financial statements for the 2011-12 fiscal year. Our opinion is not modified with respect to these matters.

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 Madison 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
February 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Madison County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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 found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- During the current fiscal year, General Fund revenues exceeded expenditures by \$146,502.72. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$58,619.38.
- The total unassigned portion of the General Fund balance totals \$2,050,012.74, which represents net current financial resources available for general appropriation by the Board and is comparable to the unassigned fund balance of \$1,861,631.59 at June 30, 2012.

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. Assets less liabilities equals net position, which 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 activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities included 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 fund 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 – Other Fund, Special Revenue – Federal Economic Stimulus Fund, Debt Service – ARRA Economic Stimulus Fund, and Capital Projects – ARRA 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.

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.

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:

	Net Position, End of Year	
	Governmental	
	Activities	
	6-30-13	6-30-12
Current and Other Assets	\$ 5,093,451.82	\$ 4,791,277.62
Capital Assets	33,424,148.70	34,785,112.67
Total Assets	38,517,600.52	39,576,390.29
Long-Term Liabilities	6,426,015.71	6,886,517.05
Other Liabilities	685,181.83	557,249.06
Total Liabilities	7,111,197.54	7,443,766.11
Net Position:		
Net Investment in Capital Assets	30,488,316.10	31,367,472.40
Restricted	2,253,829.91	2,352,359.16
Unrestricted (Deficit)	(1,335,743.03)	(1,587,207.38)
Total Net Position	\$ 31,406,402.98	\$ 32,132,624.18

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

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

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

Operating Results for the Fiscal Year Ended			
		Governmental Activities	
		6-30-13	6-30-12
Program Revenues:			
Charges for Services	\$	245,123.45	\$ 529,432.02
Operating Grants and Contributions		1,206,674.09	1,199,585.13
Capital Grants and Contributions		107,049.65	106,781.26
General Revenues:			
Property Taxes, Levied for Operational Purposes		4,162,584.32	4,045,154.79
Property Taxes, Levied for Capital Projects		982,211.73	974,447.70
Grants and Contributions Not Restricted to Specific Programs		18,773,233.02	17,811,488.17
Unrestricted Investment Earnings		8,933.07	9,523.80
Miscellaneous		800,473.82	227,296.40
Total Revenues		26,286,283.15	24,903,709.27
Functions/Program Expenses:			
Instruction		11,949,182.21	11,688,778.68
Pupil Personnel Services		740,732.45	808,901.19
Instructional Media Services		251,939.67	257,338.60
Instruction and Curriculum Development Services		1,821,184.93	1,828,055.64
Instructional Staff Training Services		759,302.67	611,589.70
Instruction Related Technology		150,367.66	199,927.05
School Board		262,796.14	215,894.82
General Administration		633,018.09	488,131.96
School Administration		1,251,275.02	1,236,995.76
Facilities Acquisition and Construction		340,470.28	275,605.66
Fiscal Services		317,612.72	316,888.86
Food Services		1,461,560.87	1,404,652.59
Central Services		160,240.04	152,764.83
Pupil Transportation Services		2,033,924.00	1,857,331.88
Operation of Plant		2,384,277.22	2,296,321.00
Maintenance of Plant		209,200.25	188,630.11
Administrative Technology Services		238,830.13	305,761.06
Community Services		417,977.94	1,325.00
Unallocated Interest on Long-Term Debt		145,351.59	141,394.74
Unallocated Depreciation Expense		1,483,260.47	1,520,432.54
Total Functions/Program Expenses		27,012,504.35	25,796,721.67
Change in Net Position		(726,221.20)	(893,012.40)
Net Position - Beginning		32,132,624.18	33,025,636.58
Net Postion - Ending	\$	31,406,402.98	\$ 32,132,624.18

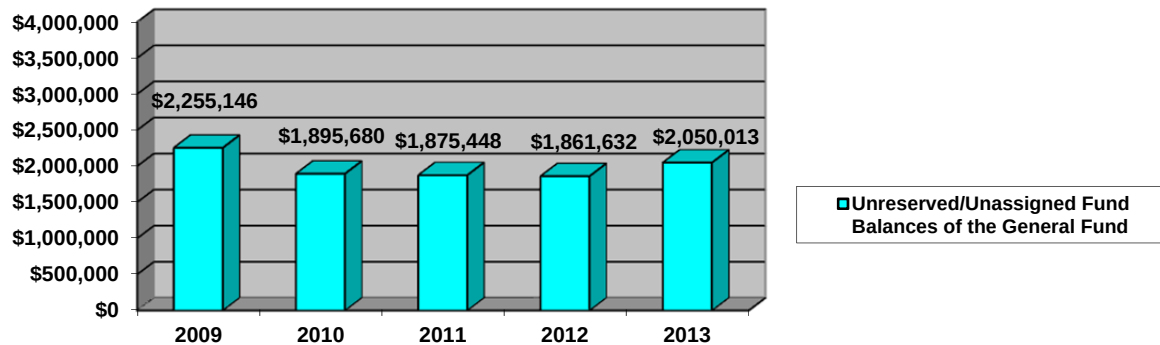
The largest revenue source is the State of Florida (49 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula

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. Revenues and expenses increased by \$1,382,573.88 and \$1,215,782.68, respectively, due primarily to increases in Federal funding from the new Twenty-First Century Community Learning Centers grant and increases in the School Improvement and Title I grants.

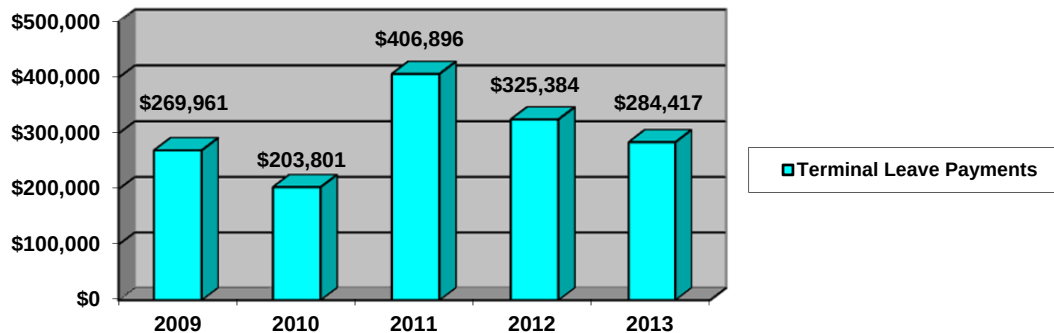
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

This section provides an analysis of the balances and transactions of the individual major funds. The analysis addresses the reasons for significant changes in fund balances and the effect of the availability of fund resources for future use.

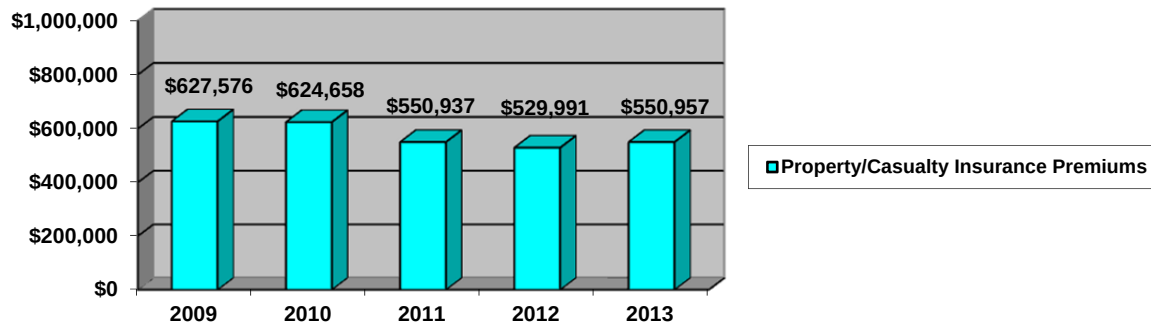
Unreserved/Unassigned Fund Balance of General Fund. The unassigned fund balance of the General Fund has increased slightly in the 2012-13 fiscal year due, in part to, strict financial management. At fiscal year-end, the General Fund unassigned fund balance was 12 percent of General Fund revenues, which is an indicator of the financial stability of the District. The following chart reflects the unreserved/unassigned fund balances of the General Fund for the last five fiscal years.



Terminal Leave payments. The General Fund pays terminal leave payments, which are a significant expense of the District, to retirees and nonretirees per Board Policy SB 6.192. The following chart reflects these payments over the past five fiscal years. A decrease of \$40,967 for the 2012-13 fiscal year was noted due to a smaller number of employees retiring compared to the 2011-12 fiscal year.



Property/Casualty Insurance Premiums. This fiscal year the District has experienced a slight increase in insurance premiums due to changes in the insurance industry. The following graph depicts historical property/casualty insurance premiums of the District.



Special Revenue – Other Fund. The Special Revenue – Other Fund is used to account for Federal grant programs. Allowed expenditures are specified by grant agreements. Since the revenues in this fund are equal to amounts expended, there is no ending fund balance.

Special Revenue – Federal Economic Stimulus Fund. The Special Revenue – Federal Economic Stimulus Fund is used to account for the Federal Stimulus grant programs. Allowed expenditures are specified by grant agreements. Since the revenues in this fund are equal to amounts expended, there is no ending fund balance.

Debt Service – ARRA Economic Stimulus Fund. The Debt Service – ARRA Economic Stimulus Fund is used to account for the financial resources for, and the payment of debt principal, interest, and related costs for the 2010A, Refunding, and 2010B Qualified School Construction Bonds. The fund balance totaling \$305,379.08 has declined slightly from the prior fiscal year by \$10,971.58, mainly due to the District making debt service payments and a one-time transfer to the General Fund of fund balance not obligated for debt service payments totaling \$57,726, which was partially offset by recognition of a government subsidy totaling \$50,327.39.

Capital Projects – ARRA Economic Stimulus Fund. The Capital Projects – ARRA Economic Stimulus Fund is used to account for financial resources used for construction projects associated with the Series 2010A, Refunding, and Series 2010B Qualified School Construction Bonds. No significant activity occurred in this fund during the fiscal year as the projects were all completed in prior fiscal years.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the original and final budgeted revenues and expenditures. Actual revenues are in line with the final budgeted amounts. Actual expenditures were \$1,925,793.21 less than final budget amounts due, in part, to energy conservation programs and strict staffing controls.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

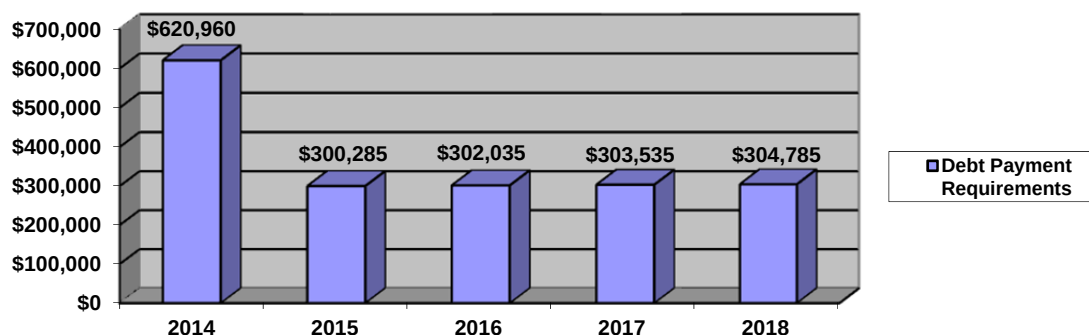
Total capital assets (land, buildings, equipment, motor vehicles, etc.), before adjusting for accumulated depreciation, totaled \$56,839,708.73 compared to \$56,511,996.26 in the prior fiscal year. The increase is due primarily to the renovation of the science labs at the Madison County High School.

Additional information on the District's capital assets can be found in notes I.F.4 and III.C to the financial statements.

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of \$2,935,832.60, comprised of \$2,621,725.00 of bonds payable and \$314,107.60 of an installment-purchase payable. During the current fiscal year, retirement of debt was \$481,807.67.

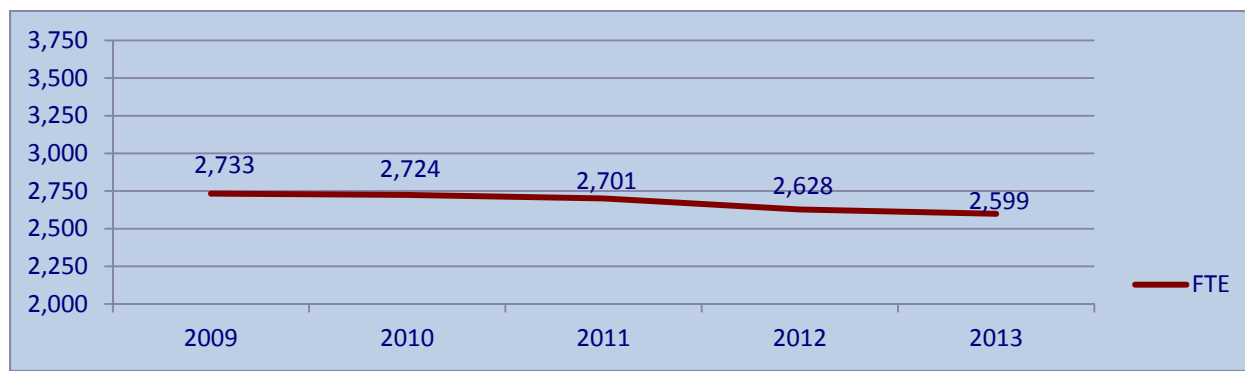
The following chart reflects the estimated debt service requirements, including interest, of the District over the next five fiscal years.



Additional information on the District's long-term debt can be found in note III.H and I.

OTHER MATTERS OF SIGNIFICANCE

Student Enrollment and Funding. As shown on the following chart, over the past several years, the District has experienced a significant decline in full-time equivalent (FTE) students, which is used for funding purposes. It is anticipated that this trend will continue.



REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Madison County District School Board, 210 NE Duval Street, Madison, Florida, 32340.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 4,216,504.43
Investments	46,166.52
Accounts Receivable	24,163.61
Due from Other Agencies	684,900.17
Inventories	121,717.09
Capital Assets:	
Nondepreciable Capital Assets	709,829.03
Depreciable Capital Assets, Net	32,714,319.67
TOTAL ASSETS	38,517,600.52
LIABILITIES	
Salaries and Benefits Payable	234,137.79
Payroll Deductions and Withholdings	50,158.75
Accounts Payable	176,760.32
Due to Other Agencies	1,909.31
Deposits Payable	45,210.54
Matured Installment Purchase Payable	116,040.00
Matured Interest Payable	60,965.12
Long-Term Liabilities:	
Portion Due Within One Year	698,182.02
Portion Due After One Year	5,727,833.69
TOTAL LIABILITIES	7,111,197.54
NET POSITION	
Net Investment in Capital Assets	30,488,316.10
Restricted for:	
State Required Carryover Programs	824,132.60
Debt Service	316,812.10
Capital Projects	841,820.75
Food Service	219,035.75
Fuel Tax Rebate	52,028.71
Unrestricted	(1,335,743.03)
TOTAL NET POSITION	\$ 31,406,402.98

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,949,182.21	\$ 6,092.15	\$	\$	\$ (11,943,090.06)
Pupil Personnel Services	740,732.45				(740,732.45)
Instructional Media Services	251,939.67				(251,939.67)
Instruction and Curriculum Development Services	1,821,184.93				(1,821,184.93)
Instructional Staff Training Services	759,302.67				(759,302.67)
Instruction Related Technology	150,367.66				(150,367.66)
School Board	262,796.14				(262,796.14)
General Administration	633,018.09				(633,018.09)
School Administration	1,251,275.02				(1,251,275.02)
Facilities Acquisition and Construction	340,470.28			27,840.50	(312,629.78)
Fiscal Services	317,612.72				(317,612.72)
Food Services	1,461,560.87	239,031.30	1,206,674.09		(15,855.48)
Central Services	160,240.04				(160,240.04)
Pupil Transportation Services	2,033,924.00				(2,033,924.00)
Operation of Plant	2,384,277.22				(2,384,277.22)
Maintenance of Plant	209,200.25				(209,200.25)
Administrative Technology Services	238,830.13				(238,830.13)
Community Services	417,977.94				(417,977.94)
Unallocated Interest on Long-Term Debt	145,351.59			79,209.15	(66,142.44)
Unallocated Depreciation Expense *	1,483,260.47				(1,483,260.47)
Total Governmental Activities	\$ 27,012,504.35	\$ 245,123.45	\$ 1,206,674.09	\$ 107,049.65	(25,453,657.16)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					4,162,584.32
Property Taxes, Levied for Capital Projects					982,211.73
Grants and Contributions Not Restricted to Specific Programs					18,773,233.02
Unrestricted Investment Earnings					8,933.07
Miscellaneous					800,473.82
Total General Revenues					24,727,435.96
Change in Net Position					(726,221.20)
Net Position - Beginning					32,132,624.18
Net Position - Ending					\$ 31,406,402.98

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

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 2,715,914.48	\$	\$
Investments	34,733.50		
Accounts Receivable	23,522.53	641.08	
Due from Other Funds	524,085.99		
Due from Other Agencies	111,819.84	479,549.71	54,126.01
Inventories	13,483.69		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,423,560.03</u>	<u>\$ 480,190.79</u>	<u>\$ 54,126.01</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 233,778.16	\$	\$ 359.63
Payroll Deductions and Withholdings	50,158.75		
Accounts Payable	62,598.19	103,302.12	9,028.21
Matured Installment Purchase Payable			
Matured Interest Payable			
Due to Other Funds		376,192.36	44,738.17
Due to Other Agencies	1,213.00	696.31	
Deposits Payable	45,210.54		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>392,958.64</u>	<u>480,190.79</u>	<u>54,126.01</u>
Fund Balances:			
Nonspendable:			
Inventories	13,483.69		
SBA Fund B Investments	34,733.50		
Total Nonspendable Fund Balance	<u>48,217.19</u>		
Restricted for:			
State Required Carryover Programs	824,132.60		
Fuel Tax Rebate	52,028.71		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	<u>876,161.31</u>		
Assigned for Purchase Obligations	<u>56,210.15</u>		
Unassigned Fund Balance	<u>2,050,012.74</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,030,601.39</u>		
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,423,560.03</u>	<u>\$ 480,190.79</u>	<u>\$ 54,126.01</u>

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

Debt Service - ARRA Economic Stimulus Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$ 540,110.20	\$ 2,964.22	\$ 957,515.53 11,433.02	\$ 4,216,504.43 46,166.52 24,163.61 524,085.99 684,900.17 121,717.09
		39,404.61 108,233.40	
\$ 540,110.20	\$ 2,964.22	\$ 1,116,586.56	\$ 5,617,537.81
\$	\$	\$	\$ 234,137.79 50,158.75 176,760.32 116,040.00 60,965.12 524,085.99 1,909.31 45,210.54
116,040.00 60,965.12 57,726.00		1,831.80 45,429.46	
234,731.12		47,261.26	1,209,267.82
		108,233.40	121,717.09 34,733.50 156,450.59
		108,233.40	824,132.60 52,028.71 316,812.10 841,820.75 110,802.35 2,145,596.51 56,210.15 2,050,012.74
305,379.08	2,964.22	11,433.02 838,856.53 110,802.35 961,091.90	
305,379.08	2,964.22		
305,379.08	2,964.22	1,069,325.30	4,408,269.99
\$ 540,110.20	\$ 2,964.22	\$ 1,116,586.56	\$ 5,617,537.81

**MADISON 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	\$ 4,408,269.99
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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.	33,424,148.70
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Installment-Purchase Payable	\$ 314,107.60	
Bonds Payable	2,621,725.00	
Compensated Absences Payable	2,952,637.11	
Other Postemployment Benefits Payable	537,546.00	
	(6,426,015.71)	

Net Position - Governmental Activities	\$ 31,406,402.98
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The accompanying notes to financial statements are an integral part of this statement.

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**MADISON 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 - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$	\$ 583,245.39	\$
Federal Through State and Local State	98,578.51 12,518,149.55	4,284,365.57	1,023,152.23
Local:			
Property Taxes	4,162,584.32		
Charges for Services - Food Service			
Miscellaneous	851,077.62		
Total Local Revenues	5,013,661.94		
Total Revenues	17,630,390.00	4,867,610.96	1,023,152.23
Expenditures			
Current - Education:			
Instruction	9,308,979.51	2,154,807.63	464,088.74
Pupil Personnel Services	466,875.60	269,005.20	4,851.65
Instructional Media Services	201,881.34	43,265.04	6,793.29
Instruction and Curriculum Development Services	712,954.37	919,184.44	189,046.12
Instructional Staff Training Services	90,957.20	438,958.15	229,387.32
Instruction Related Technology	133,231.58	121.26	
School Board	262,796.14		
General Administration	317,252.73	271,699.25	44,066.11
School Administration	1,238,684.52	6,904.65	5,685.85
Facilities Acquisition and Construction	16,975.14	13,100.00	7,648.79
Fiscal Services	317,612.72		
Food Services	36,857.74		
Central Services	158,025.94	2,214.10	
Pupil Transportation Services	1,451,696.90	31,029.32	
Operation of Plant	2,323,153.85	61,123.37	
Maintenance of Plant	209,200.25		
Administrative Technology Services	218,536.46		16,501.80
Community Services	1,641.90	416,336.04	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	16,573.39	239,862.51	55,082.56
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	17,483,887.28	4,867,610.96	1,023,152.23
Excess (Deficiency) of Revenues Over Expenditures	146,502.72		
Other Financing Sources (Uses)			
Transfers In	321,406.40		
Transfers Out			
Total Other Financing Sources (Uses)	321,406.40		
Net Change in Fund Balances	467,909.12		
Fund Balances, Beginning	2,562,692.27		
Adjustments to Beginning Fund Balances			
Fund Balances, Beginning as Restated	2,562,692.27		
Fund Balances, Ending	\$ 3,030,601.39	\$ 0.00	\$ 0.00

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

Debt Service - ARRA Economic Stimulus Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$ 50,327.39	\$	\$	\$ 633,572.78
217,000.00		1,184,353.09	6,590,449.40
		127,785.03	12,862,934.58
		982,211.73	5,144,796.05
		239,031.30	239,031.30
962.25	28.29	1,230.88	853,299.04
962.25	28.29	1,222,473.91	6,237,126.39
268,289.64	28.29	2,534,612.03	26,324,083.15
			11,927,875.88
			740,732.45
			251,939.67
			1,821,184.93
			759,302.67
		17,014.82	150,367.66
			262,796.14
			633,018.09
			1,251,275.02
		302,746.35	340,470.28
			317,612.72
		1,424,703.13	1,461,560.87
			160,240.04
			1,482,726.22
			2,384,277.22
			209,200.25
		3,791.87	238,830.13
			417,977.94
		363,766.00	363,766.00
		36,009.82	347,528.28
116,040.00		365,767.67	481,807.67
105,495.22		39,856.37	145,351.59
221,535.22		2,553,656.03	26,149,841.72
46,754.42	28.29	(19,044.00)	174,241.43
(57,726.00)		(263,680.40)	321,406.40
(57,726.00)		(263,680.40)	(321,406.40)
(10,971.58)	28.29	(282,724.40)	174,241.43
316,350.66	2,935.93	1,671,336.29	4,234,028.56
316,350.66	2,935.93	(319,286.59)	
		1,352,049.70	4,234,028.56
\$ 305,379.08	\$ 2,964.22	\$ 1,069,325.30	\$ 4,408,269.99

**MADISON 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 \$ 174,241.43

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. (1,323,163.97)

In the governmental funds, the cost of capital 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. (37,800.00)

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 repayments in the current fiscal year.

Installment-Purchase Principal Payments	\$ 305,767.67	
Bond Principal Payments	<u>176,040.00</u>	481,807.67

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. 57,525.67

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. (78,832.00)

Change in Net Position - Governmental Activities \$ (726,221.20)

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>188,119.75</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>188,119.75</u>

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

**MADISON 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 Madison County School District (District). 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 Madison 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 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 Madison 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 the application of 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. Separate financial statements are provided for governmental 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.

**MADISON 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 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 – 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 – ARRA Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the Series 2010A, Refunding, and Series 2010B - Qualified School Construction Bonds (QSCBs).
- Capital Projects – ARRA Economic Stimulus Fund - to account for capital outlay activities for the Series 2010A, Refunding, and Series 2010B - QSCBs.

Additionally, the District reports the following fiduciary fund type:

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

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. 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 in the preparation of the government-wide financial statements.

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 when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized

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

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 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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 60 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 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, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

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. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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.

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. Purchased food inventories are stated at last invoice, which approximates the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Transportation inventories are valued at cost determined on a specific identification basis. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at year-end to reflect year-end physical inventories.

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. Land and buildings acquired or constructed prior to July 1, 1989, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$182,565 of stated land values and \$6,213,707 of stated building values are based on these estimates.

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

Capital assets are depreciated using the composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	15 - 35 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

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 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 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.

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

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 may include 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. The District did not have any committed fund balances at June 30, 2013.

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 has by resolution authorized the finance director to assign 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.

In addition, the District has adopted Board Policy 7.01, which provides at least 5 percent of the current year's annual estimated General Fund revenues to be reserved for contingency purposes. In the event these reserves are needed, a vote of four or more members of the Board is required before using these funds, upon recommendation of the Superintendent at a public hearing called for the purpose of encumbering the reserved funds.

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.

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

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

The Board adopted the 2012 tax levy on September 10, 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

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when taxes are received by the District, except that revenue is accrued for taxes collected by the Madison 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.

4. 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.

5. 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.

II. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board Statement No. 61.

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the 2012-13 fiscal year. This Statement, in part, modifies certain requirements for inclusion of component units in the financial reporting entity. The Madison County Foundation for Excellence in Education, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation's transactions are no longer considered quantitatively significant to the District. As such, the Foundation no longer meets the criteria of a component unit, and is not reported in the District's financial statements for the 2012-13 fiscal year affecting the comparability of amounts reported on the financial statements for the 2012-13 fiscal year with financial statements for the 2011-12 fiscal year. The following summarizes the resulting prior period adjustment.

Beginning Net Position – \$466,430

Prior Period Adjustment – (\$466,430)

Beginning Net Position (Post Adjustment) - \$0

B. Change in Major Funds.

Pursuant to the Florida Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book), the Florida Department of Education requires that the District report the Debt Service – ARRA Economic Stimulus Fund and Capital Projects – ARRA Economic Stimulus Fund as major governmental funds for financial reporting transparency of ARRA debt service and capital projects transactions,

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respectively. In prior fiscal years, the District reported these transactions in the Debt Service - Other Debt Service and Capital Projects – Other Capital Projects Funds, both reported as nonmajor governmental funds in the 2011-12 fiscal year, necessitating the following accounting changes to reported beginning fund balances:

	Capital Projects - ARRA Economic Stimulus Fund	Debt Service - ARRA Economic Stimulus Fund	Nonmajor Governmental Funds
Beginning Fund Balances July 1, 2012	\$	\$	\$ 1,671,336.29
Accounting Changes	2,935.93	316,350.66	(319,286.59)
Restated: Beginning Fund Balances July 1, 2012	<u>\$ 2,935.93</u>	<u>\$ 316,350.66</u>	<u>\$ 1,352,049.70</u>

III. 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.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance based on average daily balances.

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	\$ 3,440,696.43
Fund B	3.98 Year Average	34,733.50
Debt Service Accounts	6 Months	11,433.02
Certificates of Deposit (1)	12 - 36 months	57,785.98
Total Investments, Primary Government		<u>\$ 3,544,648.93</u>

Notes: (1) Investments reported as cash equivalents for financial statement reporting purposes.

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➤ Interest Rate Risk

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

Florida PRIME had a weighted average days to maturity (WAM) of 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. Participation in Fund B is involuntary.

➤ Credit Risk

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

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

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

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C. Changes In Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 747,629.03	\$	\$ 37,800.00	\$ 709,829.03
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,019,910.68	363,766.00		3,383,676.68
Buildings and Fixed Equipment	43,542,412.49			43,542,412.49
Furniture, Fixtures, and Equipment	4,237,465.39	302,104.28	217,159.93	4,322,409.74
Motor Vehicles	4,106,998.46	45,424.00	111,383.00	4,041,039.46
Audio Visual Materials and Computer Software	857,580.21		17,238.88	840,341.33
Total Capital Assets Being Depreciated	55,764,367.23	711,294.28	345,781.81	56,129,879.70
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,210,305.61	145,159.73		1,355,465.34
Buildings and Fixed Equipment	12,608,258.77	870,848.25		13,479,107.02
Furniture, Fixtures, and Equipment	3,900,080.66	467,252.49	217,159.93	4,150,173.22
Motor Vehicles	3,150,658.34	551,197.78	111,383.00	3,590,473.12
Audio Visual Materials and Computer Software	857,580.21		17,238.88	840,341.33
Total Accumulated Depreciation	21,726,883.59	2,034,458.25	345,781.81	23,415,560.03
Total Capital Assets Being Depreciated, Net	34,037,483.64	(1,323,163.97)		32,714,319.67
Governmental Activities Capital Assets, Net	\$ 34,785,112.67	\$ (1,323,163.97)	\$ 37,800.00	\$ 33,424,148.70

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 551,197.78
Unallocated	1,483,260.47
Total Depreciation Expense - Governmental Activities	\$ 2,034,458.25

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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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with 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 members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
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 \$1,457,555.81, \$907,428.35, and \$999,591.09, respectively, which were equal to the required contributions for each fiscal year.

There were 25 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$67,445.10, 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 because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, certain retirees receive insurance

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coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to Board Policy 6.193. Under this retirement incentive, retirees receive a \$100 per month rate subsidy for 24 months following their date of retirement. 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, 43 retirees received other postemployment benefits. The District provided required contributions of \$145,485 toward the annual OPEB cost, net of retiree contributions totaling \$308,448, which represents 3.4 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 80,405
Amortization of Unfunded Actuarial Accrued Liability	<u>169,329</u>
Annual Required Contribution	249,734
Interest on Net OPEB Obligation	16,284
Adjustment to Annual Required Contribution	<u>(41,701)</u>
Annual OPEB Cost (Expense)	224,317
Contribution Toward the OPEB Cost	<u>(145,485)</u>
Change in Net OPEB Obligation	78,832
Net OPEB Obligation, Beginning of Year	<u>458,714</u>
Net OPEB Obligation, End of Year	<u><u>\$ 537,546</u></u>

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 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	\$ 266,677	53.8%	\$ 335,231
2011-12	274,302	55.0%	458,714
2012-13	224,317	64.9%	537,546

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$1,830,410 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,830,410 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,190,666, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.9 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 to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 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 an inflation rate of 3 percent, a payroll growth rate of 3.55 percent per year, projected salary increases of 4.0 percent to 8.25 percent, and an annual healthcare cost trend rate of 8.5 percent beginning October 1, 2013, reduced by 0.5 percent per year, to 5 percent after seven years, and then increased to an ultimate rate of 5.44 percent in 2024. The unfunded actuarial accrued liability is being amortized as a level

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percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 11 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 following is a schedule of encumbrances at June 30, 2013:

Major Funds				
<u>General</u>	<u>Special Revenue - Other</u>	<u>Special Revenue - Federal Economic Stimulus</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 244,781</u>	<u>\$ 163,023</u>	<u>\$ 88,057</u>	<u>\$ 64,913</u>	<u>\$ 560,774</u>

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 Madison 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, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk 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.

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

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

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H. Obligation Under Installment-Purchase Payable

Nine school buses with an asset balance of \$933,784 are being acquired under an installment-purchase agreement. Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 322,675.00</u>	<u>\$ 314,107.60</u>	<u>\$ 8,567.40</u>

The stated interest rate is 2.91 percent.

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	\$ 350,000.00	5.0	2018
District Revenue Bonds:			
Series 2010A, Refunding	1,081,725.00	3.39	2021
Series 2010B	<u>1,190,000.00</u>	5.39	2027
Total Bonds Payable	<u>\$ 2,621,725.00</u>		

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 Bonds**

The School Board issued District Revenue Bonds, Series 2010A, Refunding, and Series 2010B Qualified School Construction Bonds (QSCBs), a portion of the interest paid on the Series 2010B bonds will be rebated to the Board by the United States Treasury pursuant to the ARRA. The ARRA of 2009, signed into law on February 17, 2009, created a new category of direct subsidy

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debt for school districts, QSCBs. The QSCB does not represent incremental Federal funding; it must be repaid by the District.

The Series 2010B-QSCBs are designated as “qualified school construction bonds” as defined in Section 54F of the Internal Revenue Code (Code), and pursuant to Section 6431 of the Code, the Board has elected to receive Federal subsidy payments on each interest payment date for the Series 2010B-QSCBs in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010B-QSCBs on such date or the amount of interest which would have been payable with respect to the Series 2010B-QSCBs if the interest were determined at the applicable tax credit rate for the Series 2010B-QSCBs pursuant to Section 54A(b)(3) of the Code. The interest rate is 5.39 percent with an allowed Federal subsidy of 5.0 percent, yielding a net amount of 0.39 percent. These bonds are authorized by Chapter 65-1869, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Madison 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 annual distribution is remitted by the Florida Department of Financial Services to the District. 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 District has pledged a total of \$3,180,773.50 of pari-mutuel revenues in connection with the District Revenue Bonds, described above. During the 2012-13 fiscal year, the District recognized pari-mutuel revenues totaling \$217,000 and expended \$220,785 (102 percent) of these revenues for debt service directly collateralized by these revenues.

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

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Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 77,500.00	\$ 60,000.00	\$ 17,500.00
2015	79,500.00	65,000.00	14,500.00
2016	81,250.00	70,000.00	11,250.00
2017	82,750.00	75,000.00	7,750.00
2018	84,000.00	80,000.00	4,000.00
Total State School Bonds	405,000.00	350,000.00	55,000.00
District Revenue Bonds:			
2014	\$ 220,785.00	\$ 119,974.00	\$ 100,811.00
2015	220,785.00	124,041.00	96,744.00
2016	220,785.00	128,246.00	92,539.00
2017	220,785.00	132,593.00	88,192.00
2018	220,785.00	137,088.00	83,697.00
2019-2023	1,176,613.50	836,449.66	340,163.84
2024-2027	900,235.00	793,333.34	106,901.66
Total District Revenue Bonds	3,180,773.50	2,271,725.00	909,048.50
Total	\$ 3,585,773.50	\$ 2,621,725.00	\$ 964,048.50

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					
Installment-Purchase Payable	\$ 619,875.27	\$	\$ 305,767.67	\$ 314,107.60	\$ 314,107.60
Bonds Payable	2,797,765.00		176,040.00	2,621,725.00	179,974.00
Compensated Absences Payable	3,010,162.78	226,891.16	284,416.83	2,952,637.11	204,100.42
Other Postemployment Benefits Payable	458,714.00	224,317.00	145,485.00	537,546.00	
Total Governmental Activities	\$ 6,886,517.05	\$ 451,208.16	\$ 911,709.50	\$ 6,426,015.71	\$ 698,182.02

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

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

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.

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	\$ 524,085.99	\$
Debt Service:		
ARRA Economic Stimulus		57,726.00
Special Revenue:		
Other		376,192.36
Federal Economic Stimulus		44,738.17
Nonmajor Governmental		45,429.46
Total	<u>\$ 524,085.99</u>	<u>\$ 524,085.99</u>

Interfund receivables and payables include amounts not obligated for debt service payments in the Debt Service – ARRA Economic Stimulus Fund and owed to the General Fund, amounts due for expenditures paid by a particular fund on behalf of another fund, and temporary loans to cover deficit cash balances in pooled accounts.

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:

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,658,842.00
Categorical Educational Program - Class Size Reduction	2,495,895.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	107,049.65
School Recognition	100,099.00
Workforce Development Program	60,936.00
Food Service Supplement	22,321.00
Mobile Home License Tax	20,674.15
Miscellaneous	397,117.78
Total	\$ 12,862,934.58

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:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.612	\$ 3,787,615.51
Basic Discretionary Local Effort	0.748	504,835.35
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,012,370.29
Total	7.860	\$ 5,304,821.15

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

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	\$ 321,406.40	\$
Debt Service:		
ARRA Economic Stimulus		57,726.00
Nonmajor Governmental		263,680.40
Total	<u>\$ 321,406.40</u>	<u>\$ 321,406.40</u>

Interfund transfers were to move fund balances not obligated for debt service payments in the Debt Service – ARRA Economic Stimulus Fund to the General Fund and to move the restricted capital outlay revenues to offset eligible expenditures for maintenance salaries and property and casualty insurance premiums paid from the General Fund.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**MADISON 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)
Revenues				
Intergovernmental:				
Federal Direct	\$ 100,000.00	\$ 98,578.51	\$ 98,578.51	\$
Federal Through State and Local State	12,459,182.62	12,518,149.55	12,518,149.55	
Local:				
Property Taxes	4,472,274.81	5,013,661.94	4,162,584.32	(851,077.62)
Miscellaneous			851,077.62	851,077.62
Total Local Revenues	<u>4,472,274.81</u>	<u>5,013,661.94</u>	<u>5,013,661.94</u>	
Total Revenues	<u>17,031,457.43</u>	<u>17,630,390.00</u>	<u>17,630,390.00</u>	
Expenditures				
Current - Education:				
Instruction	10,224,855.52	10,114,944.11	9,308,979.51	805,964.60
Pupil Personnel Services	453,340.78	468,179.69	466,875.60	1,304.09
Instructional Media Services	207,311.42	211,612.27	201,881.34	9,730.93
Instruction and Curriculum Development Services	660,364.31	751,895.87	712,954.37	38,941.50
Instructional Staff Training Services	216,166.21	92,874.38	90,957.20	1,917.18
Instruction Related Technology	136,923.21	136,919.66	133,231.58	3,688.08
School Board	211,787.49	262,796.14	262,796.14	
General Administration	853,957.03	964,899.71	317,252.73	647,646.98
School Administration	1,215,710.68	1,238,684.52	1,238,684.52	
Facilities Acquisition and Construction	24,534.57	36,694.32	16,975.14	19,719.18
Fiscal Services	323,010.29	326,586.39	317,612.72	8,973.67
Food Services	11,520.02	43,338.04	36,857.74	6,480.30
Central Services	401,949.77	415,036.16	158,025.94	257,010.22
Pupil Transportation Services	1,389,698.94	1,454,324.16	1,451,696.90	2,627.26
Operation of Plant	2,190,110.24	2,323,153.85	2,323,153.85	
Maintenance of Plant	192,893.91	209,200.25	209,200.25	
Administrative Technology Services	346,433.83	340,033.58	218,536.46	121,497.12
Community Services	35.00	1,934.00	1,641.90	292.10
Fixed Capital Outlay:				
Other Capital Outlay		16,573.39	16,573.39	
Total Expenditures	<u>19,060,603.22</u>	<u>19,409,680.49</u>	<u>17,483,887.28</u>	<u>1,925,793.21</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,029,145.79)</u>	<u>(1,779,290.49)</u>	<u>146,502.72</u>	<u>1,925,793.21</u>
Other Financing Sources				
Transfers In	358,272.43	321,406.40	321,406.40	
Total Other Financing Sources	<u>358,272.43</u>	<u>321,406.40</u>	<u>321,406.40</u>	
Net Change in Fund Balances	<u>(1,670,873.36)</u>	<u>(1,457,884.09)</u>	<u>467,909.12</u>	<u>1,925,793.21</u>
Fund Balances, Beginning	2,562,692.27	2,562,692.27	2,562,692.27	
Fund Balances, Ending	<u>\$ 891,818.91</u>	<u>\$ 1,104,808.18</u>	<u>\$ 3,030,601.39</u>	<u>\$ 1,925,793.21</u>

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,071,350.50	\$ 825,424.90 5,544,559.15	\$ 583,245.39 4,284,365.57	\$ (242,179.51) (1,260,193.58)	\$ 241,492.18	\$ 1,286,119.44	\$ 1,023,152.23	\$ (262,967.21)
2,071,350.50	6,369,984.05	4,867,610.96	(1,502,373.09)	241,492.18	1,286,119.44	1,023,152.23	(262,967.21)
977,117.56	2,846,963.06	2,154,807.63	692,155.43	60,855.03	651,696.95	464,088.74	187,608.21
114,720.77	377,128.71	269,005.20	108,123.51		4,851.65	4,851.65	
23,869.98	44,808.41	43,265.04	1,543.37	36.76	7,375.49	6,793.29	582.20
534,673.01	1,169,762.79	919,184.44	250,578.35	41,246.56	206,962.35	189,046.12	17,916.23
306,779.08	643,925.56	438,958.15	204,967.41	95,414.13	242,816.25	229,387.32	13,428.93
121.33	10,121.33	121.26	10,000.07	478.66	6,733.32		6,733.32
88,754.76	317,692.96	271,699.25	45,993.71	9,858.18	57,177.85	44,066.11	13,111.74
9,384.25	17,657.66	6,904.65	10,753.01		19,006.93	5,685.85	13,321.08
	13,100.00	13,100.00			12,014.18	7,648.79	4,365.39
	3,618.22	2,214.10	1,404.12				
	106,841.84	31,029.32	75,812.52				
3,114.72	83,525.00	61,123.37	22,401.63				
1,438.04							
11,377.00				33,602.86	22,401.91	16,501.80	5,900.11
	494,976.00	416,336.04	78,639.96				
	239,862.51	239,862.51			55,082.56	55,082.56	
2,071,350.50	6,369,984.05	4,867,610.96	1,502,373.09	241,492.18	1,286,119.44	1,023,152.23	262,967.21
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll [(B-A)/C]
	(A)	(B)	(B-A)	(A/B)	(C)	
October 1, 2007	\$ 0	\$ 2,165,083	\$ 2,165,083	0.0%	\$ 9,926,970	21.8%
October 1, 2010	0	2,290,358	2,290,358	0.0%	8,346,253	27.4%
October 1, 2012	0	1,830,410	1,830,410	0.0%	9,190,666	19.9%

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

**MADISON 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 \$1,830,410 was significantly less than the October 1, 2010, liability of \$2,290,358 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of enrolled retirees was expected to increase to 330; however, enrolled retirees decreased from 48 in the July 1, 2010, valuation to 43 in the October 1, 2012, valuation.
- Similarly, the number of active employees decreased from 239 to 225 in the current valuation.
- In the previous valuation, the cost of coverage was expected to increase from \$608 to \$719 per employee per month; however, the cost actually decreased to \$600 per employee per month for the 2012-13 fiscal year.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to increase at 8 percent in the first year, decreasing by 0.5 percent each year to an ultimate rate of 5 percent after five years. In the current valuation, the trend is assumed to be an increase of 8.5 percent in the first year, decreasing by 0.5 percent each year to an ultimate rate of 5 percent after ten years.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**MADISON 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)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 249,577.83
National School Lunch Program	10.555 (2)(A)	300	902,086.04
Summer Food Service Program for Children	10.559	323	32,689.22
Total United States Department of Agriculture			1,184,353.09
United States Department of Energy:			
Indirect:			
University of Central Florida:			
ARRA - State Energy Program	81.041 (2)(B)	None	42,747.88
United States Department of Education:			
Direct:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	583,124.13
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	773,272.01
Special Education - Preschool Grants	84.173	267	50,827.87
Total Special Education Cluster			824,099.88
School Improvement Grants Cluster:			
School Improvement Grants	84.377	126	758,840.81
ARRA - School Improvement Grants, Recovery Act	84.388	126	773,160.13
Total School Improvement Grants Cluster			1,532,000.94
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	54,961.04
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,577,400.26
Migrant Education - State Grant Program	84.011	217	203,759.02
Career and Technical Education - Basic Grants to States	84.048	161	70,003.05
Twenty-First Century Community Learning Centers	84.287	244	467,327.51
Transition to Teaching	84.350	227	95.19
Rural Education	84.358	110	60,891.69
Improving Teacher Quality State Grants	84.367	224	226,987.12
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RD211, RG311, RL111, RS611	249,992.10
Total Indirect			5,267,517.80
Total United States Department of Education			5,850,641.93
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
State Domestic Preparedness Equipment Support Program	97.004	532	40,000.00
Total Expenditures of Federal Awards			\$ 7,117,742.90

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

(2) Noncash Assistance:

(A) National School Lunch Program - Includes \$120,844.57 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(B) State Energy Program - Represents the Federally-paid portion of solar panels and related site preparation and installation costs.



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

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

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 Madison 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 February 5, 2014, 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 in our report on the Madison County District School Board's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit 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
February 5, 2014



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

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

Report on Compliance for Each Major Federal Program

We have audited the Madison 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 included in 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 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

February 5, 2014

**MADISON 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(ies) 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:
84.184	Safe and Drug-Free Schools and Communities – National Programs
84.287	Twenty-First Century Community Learning Centers
84.377 and 84.388	School Improvement Grants Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**MADISON 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 differentiated pay based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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

District personnel indicated that salary schedule revisions to comply with the differentiated pay requirements were delayed to coincide with implementing instructional personnel performance pay plans. Without a Board-established documented process for identifying 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. 2012-094 and 2013-140.

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: Electronic Funds Transfers and Bank Withdrawals

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities. In addition, Section 1011.18(4), Florida Statutes, requires that the Superintendent and either the Board Chair or Vice Chair sign checks.

State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that contains manual signatures of employees authorized to initiate

EFTs. SBE Rule 6A-1.0012, FAC, also requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

During the 2012-13 fiscal year, the District regularly used EFTs to make electronic disbursements for debt service payments, and direct deposit of employee pay, payroll tax, and retirement contribution payments. The District had two bank accounts (general clearing and payroll accounts) in one bank, and four investment accounts in the State Board of Administration. At June 30, 2013, cash and cash equivalents and investments totaling \$4.2 million were available for electronic transfer, including balances of \$1.6 million in the general clearing bank account and \$62,000 in the payroll bank account. We noted that controls over EFTs and bank withdrawals could be enhanced as follows:

- The District used informal processes including oral instructions, e-mail directions, and other reviews to monitor and control EFTs; however, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes.
- The bank maintained signature cards to authorize disbursements from the two bank accounts; however, as of November 2013, District records did not evidence an agreement with the bank to identify personnel authorized to initiate and authorize transfers or documentation signed by the initiator and authorizer of EFTs, contrary to SBE Rule 6A-1.0012, FAC.
- The signature cards on file at the bank authorized the Superintendent, Board Chair, and Director of Business Services to individually initiate and authorize EFTs, and sign checks to allow withdrawals from the two bank accounts without secondary approval, contrary to good business practice and Section 1011.18(4), Florida Statutes.

District personnel indicated that controls are in place, such as supervisory monitoring of budget to actual expenditures and independent bank reconciliations, to compensate, in part, for the lack of formal policies and procedures, and our tests did not disclose any bank transactions for unauthorized purposes. However, the lack of specific guidance in the form of Board-approved written policies and procedures, bank agreements, evidence of initiators and authorizers of EFTs, and bank signature cards that only allow the Superintendent and either the Board Chair or Vice Chair to sign checks, increases the risk of misappropriation of funds without timely detection. Similar findings were noted in our report Nos. 2012-094 and 2013-140.

Recommendation: The Board should adopt written policies and procedures to address accounting and control procedures for EFTs, including the use of electronic signatures. Such policies and procedures should ensure that bank agreements identify personnel authorized to initiate and authorize transfers, EFTs are supported by documentation signed by EFT initiators and authorizers, and only the Superintendent and either the Board Chair or Vice Chair are authorized to sign checks.

Finding No. 3: Bus Drivers

SBE Rule 6A-3.0141(4) and (9), FAC, require that the District at least annually ensure that personnel, prior to transporting students on school buses, hold valid commercial driver licenses with passenger and school bus endorsements and be physically capable of operating the vehicles as determined by a physician and documented on a Florida Department of Education (FDOE) physical examination form.

The District employed 46 bus drivers during the 2012-13 fiscal year and monitoring procedures over school bus drivers were generally adequate. District personnel weekly reviewed bus driver history records to confirm that drivers were appropriately licensed. However, our comparison of District records and Florida Department of Highway Safety and Motor Vehicles (FDHSMV) records disclosed 2 bus drivers had suspended commercial vehicle driving licenses while one drove regularly scheduled bus routes from April 3, 2013, to May 21, 2013, and the other drove regularly

scheduled bus routes from May 7, 2013 to May 16, 2013. District personnel indicated that the FDHSMV notified the bus drivers that they lacked evidence of the physical examinations, prompting the drivers to complete the examinations and submit the related forms and license reinstatement fee to FDHSMV, and the District was initially unaware that the two drivers' licenses had been suspended. Subsequently, the FDHSMV restored the licenses of the two drivers.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that the District ensure that valid FDOE physical examination forms are maintained and timely submitted to ensure the drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure that school bus drivers are appropriately licensed to drive school buses.

Finding No. 4: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 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 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.

For the 2012-13 fiscal year, the District reported to the FDOE 4,175 instructional contact hours for 44 students enrolled in 24 adult general education classes. Our test of 585 contact hours reported for 10 students enrolled in 11 adult general education classes disclosed a total of 379 under-reported hours for 6 students enrolled in 10 classes and 64 over-reported hours for 3 students enrolled in 8 classes. District personnel indicated these exceptions occurred from miscalculations caused by the District's information system. 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.

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.

Finding No. 5: After School/Summer Program Employees

Section 121.051(1) Florida Statutes, provides that participation in the Florida Retirement System (FRS) is generally compulsory for full-time employees. Also, pursuant to the Florida Division of Retirement Employer Handbook, a full-time or part-time regularly established employee that fills a position beyond six consecutive months is generally a

compulsory member of the FRS. In addition, Board policy 6.411 provides that health insurance coverage would be available to Board employees that work 20 or more hours per week.

For the 2012-13 fiscal year after school/summer program, the District employed five workers, including a project director and four site directors. The District paid \$38,850 to the project director based on eight hours per day for 11 consecutive months for supervising the four site directors, recruiting and retaining students, resolving parent grievances, developing lesson plans, and other related duties. Also, the District paid a total of \$92,731 to the four site directors based on five hours per day for 9 consecutive months to coordinate and implement the program at their assigned schools. The District paid these workers through the payroll system, and withheld social security and Federal withholding taxes from their wages; however, the District did not allow the five workers to participate in FRS or obtain District health insurance coverage. District personnel indicated that this occurred because of an oversight and the employees would be allowed to participate in FRS and health insurance for the 2013-14 fiscal year.

Without effective procedures to identify and allow eligible employees to participate in FRS and health insurance benefits, employees may be prevented from participating in programs to which they are entitled and the District may be subject to additional retirement contributions for those employees.

Recommendation: The District should ensure that employees eligible for FRS or health insurance are allowed to participate in these programs, and remit required retirement contributions to the FRS for eligible employees of the after school/summer program.

Finding No. 6: Facilities Management

The facilities and maintenance department (department) is responsible for managing outsourced construction and renovation and repair projects. The department is also responsible for ensuring facilities are safe and suitable for their intended use. The department performed heating, ventilating, and air-conditioning (HVAC); electrical; plumbing; and other maintenance-related jobs. During the 2012-13 fiscal year, the department employed four employees and the department's operating cost was \$209,000. Also, during this fiscal year, the District had expenditures totaling \$363,766 for capital projects fund construction and renovation projects, and as shown on the District's Five-Year Facilities Work Plan as approved by the Board on October 15, 2013, the District planned to spend \$167,155 on construction and renovation projects and \$1.6 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 \$47.6 million and, as shown on the FDOE's Florida Inventory of School Houses data, permanent District facilities had an average age of 25 years and mobile facilities an average age of 18 years.

Given the significant commitment of public funds to 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 maintenance techniques to determine the most cost effective and efficient method or technique. In addition, performance evaluations could include established goals for maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for department employees are achieved. While our review indicated that District procedures were generally adequate, we noted procedural enhancements could be made, as follows:

- **Alternative Maintenance Techniques.** Maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by department personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various

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 significant maintenance-related job, which would be most cost effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost effective and beneficial maintenance technique.

- **Accountability.** District personnel indicated that the department had established goals, such as the timely completion of significant maintenance-related job techniques; however, District records did not evidence written goals to address accountability for the department. For example, the District could set goals such as completing 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 job did not initially meet building code requirements, and to compare job costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine jobs and progress toward meeting the goals could be measured by comparing 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 and maintenance department is operating as cost-effectively and as efficiently as possible.

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

Finding No. 7: Information Technology – Security Controls – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed that certain District security controls related to data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was communicated to management in connection with our report Nos. 2012-094 and 2013-140.

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

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Twenty-First Century Community Learning Centers (CFDA No. 84.287)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: None

Allowable Costs/Cost Principles – Documentation of Time and Effort. United States Office of Management and Budget Circular A-87 provides, for charges to Federal awards for salaries and wages, that where employees are

expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

For the 2012-13 fiscal year, the District reported Twenty-First Century program expenditures of \$467,328, of which salaries and benefits totaled \$315,628. To determine the propriety of these expenditures, we tested salary and benefits totaling \$143,305 for five employees who were fully-funded by the program. However, due to oversights, the District did not maintain the required semiannual certifications for these employees to evidence the actual time the employees devoted to Twenty-First Century program. The employees prepared monthly timesheets that were reviewed and approved by their supervisors, and our review of the May 2013 timesheets disclosed three of the employee's timesheets indicated that the employees worked for the program. However, the timesheets did not specify the extent to which the three employees' time was devoted to the program, and two of the employee's timesheets did not identify any efforts for the program. Consequently, District records did not sufficiently evidence that the employees worked solely for the program. Subsequent to our inquiries, the employees documented that their duties and responsibilities were properly charged to the program.

Absent effective procedures for timely documenting actual time devoted to Federal program activities, there is an increased risk that personnel costs may be inappropriately charged to a Federal program. Similar findings were noted in our report Nos. 2012-094 and 2013-140.

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

District Contact Person and Title: Sam Stalnaker, Coordinator of Career Technical and Alternative Education

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-140. The following table provides information on recurring District 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. 2013-140, Finding No. 1	Audit Report No. 2012-094, Finding No. 1
2	Audit Report No. 2013-140, Finding No. 2	Audit Report No. 2012-094, Finding No. 6
7	Audit Report No. 2013-140, Finding No. 3	Audit Report No. 2012-094, Finding No. 8
Federal Awards Finding No. 1	Audit Report No. 2013-140, Federal Awards Finding No. 1	Audit Report No. 2012-094, Federal Awards Finding No. 1

Note: Above chart limits recurring findings to two previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*MADISON 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
2012-094 (1)	School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386) - Allowable Costs/ Cost Principles	Controls to ensure costs are appropriately charged to Federal programs could be enhanced. Additionally, the District used School Improvement Grants moneys to purchase items not specified in the grant application, resulting in questioned costs of \$2,325.	Corrected.	Questioned costs were not required to be restored by the grantor.
2013-140 (1)	School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388) - Allowable Costs/Cost Principles	Required documentation to support personnel charges of Federal programs was not always maintained, contrary to Federal regulations.	Corrected.	

EXHIBIT A
MANAGEMENT'S RESPONSE

District School Board of Madison County

210 NE Duval Avenue • Madison Florida 32340

February 5, 2014

David W. Martin, CPA
Auditor General
853 S.W. Sisters Welcome Road
Lake City, Florida 32025

Management Response to Preliminary and Tentative Findings

Dear Mr. Martin:

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.

Response No. 1: The district concurs with this finding and is continuing to work with our bargaining unit to develop a negotiated differentiated pay plan.

Finding No. 2: Controls over electronic funds transfers and bank withdrawals could be enhanced.

Response No. 2: The district concurs with this finding and is working with our banking representative to have proper controls in place.

Finding No. 3: Controls over monitoring school bus drivers could be enhanced.

Response No. 3: The district concurs with this finding and is enhancing procedures with transportation staff to enhance the controls over monitoring bus driver's ability to operate a bus for the school district.

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.

Response No. 4: The district concurs with the finding.

Finding No. 5: The District did not allow five after school/summer program employees to participate in the Florida Retirement System (FRS) or obtain District health insurance coverage, contrary to FRS guidelines and Board policies.

Response No. 5: This item is resolved in the 13-14 fiscal year.

Finding No. 6: Controls over facilities maintenance could be enhanced.

Response No. 6: The district concurs with the finding.

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Doug Brown Superintendent • Fain Poppell District 1 • Kenneth Hall District 2 • Yvonne L. Hagan District 3 • Karen Pickles District 4 • Bart Alford District 5
An Equal Opportunity Employer 32340

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

District School Board of Madison County

210 NE Duval Avenue • Madison Florida 32340

Finding No. 7: Certain information technology security controls related to data loss prevention needed improvement.

Response No. 7: The district concurs with the finding.

Federal Awards Findings No. 1: Required documentation to support personnel charges of Federal programs was not always maintained, contrary to Federal regulations.

Response No. 1: The district concurs with this finding and has made staff aware of the need to follow the district procedures for time and effort verification.

Sincerely,



Doug Brown
Superintendent
Madison County School District

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