

DIXIE 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 SUPERINTENDENT

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

	<u>District No.</u>
Cheryl Pridgeon, Vice Chair	1
Charles Farmer	2
Paul Gainey	3
Timothy Alexander, Chair	4
Dwayne Rollison	5

Mark A. Rains, Superintendent

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

The audit team leader was John Evangelista, CPA, CFE, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Bill Allbritton, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. 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.

**DIXIE 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: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 2: The District did not report certain VIP contract and per student cost information to the Florida Department of Education, contrary to law.

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

Finding No. 4: The District's information technology (IT) security incident response plan needed improvement.

Finding No. 5: The District lacked written policies and procedures for certain IT functions.

Finding No. 6: Certain IT security controls related to user authentication, data loss prevention, and logging and monitoring needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on its major Federal program.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program; and
- Taken corrective actions for findings included in our report No. 2013-115.

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.



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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dixie County District School Board, as of and for the fiscal year ended June 30, 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 32 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Dixie 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 to the financial statements, the Dixie Education Foundation, 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. This affects the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year. Our opinion is not modified with respect to this matter.

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 Dixie County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- The assets of the District exceeded its liabilities at June 30, 2013, by \$28,303,857.28.
- The District's total net position decreased \$1,384,430.18, which represents a 4.7 percent decrease from the 2011-12 fiscal year.
- General revenues total \$16,323,272.66, or 93.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1,209,382.85, or 6.9 percent.
- Expenses total \$18,917,085.69. Only \$1,209,382.85 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$1,384,430.18.
- The unassigned fund balance of the General Fund, which is available for general appropriation by the Board, totals \$1,243,125.78 at June 30, 2013, or 8.5 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report, the Kinder Cub School, Inc., a charter school. Although a legally separate organization, the component unit is included in this report

because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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	\$ 3,851,662.75	\$ 4,434,072.55
Capital Assets	26,607,481.80	27,458,960.16
Total Assets	30,459,144.55	31,893,032.71
Long-Term Liabilities	1,721,904.12	1,848,897.69
Other Liabilities	433,383.15	355,847.56
Total Liabilities	2,155,287.27	2,204,745.25
Net Position:		
Net Investment in Capital Assets	26,237,481.80	27,043,960.16
Restricted	1,433,777.29	1,623,083.92
Unrestricted	632,598.19	1,021,243.38
Total Net Position	\$ 28,303,857.28	\$ 29,688,287.46

The largest portion of the District's net position (92.7 percent) 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (5.1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (2.2 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

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

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

Operating Results for the Fiscal Year Ended			
	Governmental Activities		
	6-30-13	6-30-12	
Program Revenues:			
Charges for Services	\$ 70,596.26	\$ 259,416.05	
Operating Grants and Contributions	1,055,928.30	976,584.53	
Capital Grants and Contributions	82,858.29	115,958.42	
General Revenues:			
Property Taxes, Levied for Operational Purposes	3,112,204.64	3,113,310.83	
Property Taxes, Levied for Capital Projects	729,845.76	729,837.19	
Grants and Contributions Not Restricted to Specific Programs	12,256,663.18	12,318,738.48	
Unrestricted Investment Earnings	11,889.82	12,395.04	
Miscellaneous	212,669.26	192,326.19	
Total Revenues	17,532,655.51	17,718,566.73	
Functions/Program Expenses:			
Instruction	9,034,095.80	9,169,025.75	
Pupil Personnel Services	867,243.03	873,719.43	
Instructional Media Services	46,654.90	67,949.47	
Instruction and Curriculum Development Services	441,828.59	447,782.63	
Instructional Staff Training Services	446,947.48	478,282.03	
Instruction Related Technology	409,732.46	563,832.77	
School Board	239,353.47	231,247.77	
General Administration	272,959.59	278,381.55	
School Administration	885,693.29	940,733.64	
Facilities Acquisition and Construction	385,802.97	574,372.57	
Fiscal Services	371,934.02	499,171.23	
Food Services	1,195,089.58	1,161,244.54	
Central Services	18,627.15	30,420.94	
Pupil Transportation Services	1,221,284.12	1,229,119.54	
Operation of Plant	1,559,860.19	1,658,405.25	
Maintenance of Plant	360,436.29	287,486.74	
Administrative Technology Services	108,870.06	95,934.94	
Unallocated Interest on Long-Term Debt	21,573.97	30,099.71	
Unallocated Depreciation Expense	1,029,098.73	1,059,504.27	
Total Functions/Program Expenses	18,917,085.69	19,676,714.77	
Change in Net Position	(1,384,430.18)	(1,958,148.04)	
Net Position - Beginning	29,688,287.46	31,646,435.50	
Net Position - Ending	\$ 28,303,857.28	\$ 29,688,287.46	

The largest revenue source is the State of Florida (60.2 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula

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

Overall, revenues decreased by \$185,911.22 primarily a result of a decrease in charges for services for food service student receipts. The District qualified for and implemented free student reimbursable meals for all children regardless of income. The expenses decreased by \$759,629.08 due primarily to decreases in spending of Federal grants and restricted capital outlay revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$3,418,279.60, a decrease of \$659,945.39 from the previous fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$1,243,125.78, while the total fund balance is \$2,396,379.90. Total fund balance decreased by \$389,077.85, compared with a decrease of \$946,614.68 in the prior fiscal year. The fund balance changes evidence District efforts to limit expenditure levels to available resources.

The Special Revenue – Other Fund has total revenues of \$1,657,024.10 and expenditures of \$1,655,579.10. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate significant fund balance.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$2,773.92 each, representing the carryover of prior fiscal year American Recovery and Reinvestment Act grant funds, which were mostly expired at June 30, 2013. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate fund balances.

The Capital Projects – Local Capital Improvement Fund has a fund balance of \$530,441.26, which is restricted for the acquisition, construction, and maintenance of capital assets. Expenditures during the current fiscal year included the purchase of new and replacement furniture and equipment and the purchase of motor vehicles, including two buses. It should be noted that \$28,439.40 of fund balance has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District amended its General Fund budget, which resulted in \$175,000 increase in total budgeted revenues and other financing sources. At the same time, final appropriations are \$767,500 more than the original budgeted amounts. Budgeted expenditures increased due to increases in salary expenditures as a result of hiring more experienced, highly qualified teachers and payment of differentiated pay. The District also purchased a significant amount of instructional software. Budget revisions were due primarily to adjustments to planned expenditures for changes in programmatic and operational needs.

Actual revenues and other financing sources are \$28,466.49 more than the final budgeted amounts while actual expenditures are \$301,160.66 less than final budget amounts. The actual ending fund balance exceeds the estimated fund balance contained in the final amended budget by \$329,627.15.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is \$26,607,481.80 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements

other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Capital Assets, Net		
	Governmental Activities	
	6-30-13	6-30-12
Land	\$ 890,949.40	\$ 857,449.40
Construction in Progress	247,500.00	247,500.00
Improvements Other than Buildings	1,418,010.92	1,558,078.02
Buildings and Fixed Equipment	22,371,381.07	23,077,690.51
Furniture, Fixtures, and Equipment	514,777.06	537,037.36
Motor Vehicles	1,043,073.12	1,018,652.46
Audio Visual Materials and Computer Software	121,790.23	162,552.41
Total Capital Assets, Net	\$ 26,607,481.80	\$ 27,458,960.16

Major capital asset events during the current fiscal year included the purchase of motor vehicles, including two buses and the purchase of new equipment and software. The overall decline in total net capital assets was due to depreciation expenses exceeding capital asset additions.

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 bonded debt outstanding of \$370,000. This is backed by the full faith and credit of the State of Florida.

Additional information on the District's long-term debt can be found in note III.H to the financial statements

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 2,698,228.82	\$ 45,100.00
Investments	739,999.06	
Accounts Receivable	10,840.63	1,448.00
Due from Other Agencies	239,006.03	
Prepaid Items		3,199.00
Inventories	163,588.21	
Capital Assets:		
Nondepreciable Capital Assets	1,138,449.40	
Depreciable Capital Assets, Net	25,469,032.40	1,900.00
TOTAL ASSETS	30,459,144.55	51,647.00
LIABILITIES		
Salaries and Benefits Payable	349,759.45	18,225.00
Accounts Payable	68,177.56	1,009.00
Deposits Payable	15,446.14	
Long-Term Liabilities:		
Portion Due Within One Year	234,031.82	
Portion Due After One Year	1,487,872.30	
TOTAL LIABILITIES	2,155,287.27	19,234.00
NET POSITION		
Net Investment in Capital Assets	26,237,481.80	1,900.00
Restricted for:		
State Required Carryover Programs	411,877.59	
Debt Service	10,391.17	
Capital Projects	662,607.24	
Food Service	346,161.29	
Federal Required Carryover Programs	2,740.00	
Unrestricted	632,598.19	30,513.00
TOTAL NET POSITION	\$ 28,303,857.28	\$ 32,413.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 9,034,095.80	\$ 7,730.08	\$	\$
Pupil Personnel Services	867,243.03			
Instructional Media Services	46,654.90			
Instruction and Curriculum Development Services	441,828.59			
Instructional Staff Training Services	446,947.48			
Instruction Related Technology	409,732.46			
School Board	239,353.47			
General Administration	272,959.59			
School Administration	885,693.29			
Facilities Acquisition and Construction	385,802.97			18,349.45
Fiscal Services	371,934.02			
Food Services	1,195,089.58	61,919.94	1,055,928.30	
Central Services	18,627.15			
Pupil Transportation Services	1,221,284.12	946.24		
Operation of Plant	1,559,860.19			
Maintenance of Plant	360,436.29			
Administrative Technology Services	108,870.06			
Unallocated Interest on Long-Term Debt	21,573.97			64,508.84
Unallocated Depreciation Expense*	1,029,098.73			
Total Primary Government	\$ 18,917,085.69	\$ 70,596.26	\$ 1,055,928.30	\$ 82,858.29
Component Unit				
Charter School	\$ 319,931.00	\$ 13,366.00	\$ 23,262.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component
Governmental	Unit
Activities	
\$	\$
(9,026,365.72)	
(867,243.03)	
(46,654.90)	
(441,828.59)	
(446,947.48)	
(409,732.46)	
(239,353.47)	
(272,959.59)	
(885,693.29)	
(367,453.52)	
(371,934.02)	
(77,241.34)	
(18,627.15)	
(1,220,337.88)	
(1,559,860.19)	
(360,436.29)	
(108,870.06)	
42,934.87	
(1,029,098.73)	
(17,707,702.84)	
	(283,303.00)
3,112,204.64	
729,845.76	
12,256,663.18	309,035.00
11,889.82	
212,669.26	4,007.00
16,323,272.66	313,042.00
(1,384,430.18)	29,739.00
29,688,287.46	384,336.00
	(381,662.00)
29,688,287.46	2,674.00
\$ 28,303,857.28	\$ 32,413.00

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 1,743,424.18	\$ 2,740.00	\$	\$ 530,441.26
Investments	729,607.89			
Accounts Receivable	10,742.37			
Due from Other Funds	223,970.74			
Due from Other Agencies	9,330.36	223,970.74		
Inventories	109,998.24			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,827,073.78</u>	<u>\$ 226,710.74</u>	<u>\$ 0.00</u>	<u>\$ 530,441.26</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 349,759.45	\$	\$	\$
Accounts Payable	68,177.56			
Due to Other Funds		223,970.74		
Deposits Payable	12,756.87			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>430,693.88</u>	<u>223,970.74</u>	<u> </u>	<u> </u>
Fund Balances:				
Nonspendable:				
Inventories	109,998.24			
Restricted for:				
Federal Required Carryover Programs		2,740.00		
State Required Carryover Programs	411,877.59			
Debt Service				
Capital Projects				530,441.26
Food Service				
Total Restricted Fund Balance	411,877.59	2,740.00		530,441.26
Assigned for:				
Employee Terminal Pay	300,000.00			
Board Approved Budget Items	331,378.29			
Total Assigned Fund Balance	631,378.29			
Unassigned Fund Balance	1,243,125.78			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,396,379.90</u>	<u>2,740.00</u>	<u> </u>	<u>530,441.26</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,827,073.78</u>	<u>\$ 226,710.74</u>	<u>\$ 0.00</u>	<u>\$ 530,441.26</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 421,623.38	\$ 2,698,228.82
10,391.17	739,999.06
98.26	10,840.63
	223,970.74
5,704.93	239,006.03
<u>53,589.97</u>	<u>163,588.21</u>
<u>\$ 491,407.71</u>	<u>\$ 4,075,633.49</u>
\$	\$ 349,759.45
	68,177.56
	223,970.74
<u>2,689.27</u>	<u>15,446.14</u>
<u>2,689.27</u>	<u>657,353.89</u>
<u>53,589.97</u>	<u>163,588.21</u>
	2,740.00
	411,877.59
10,391.17	10,391.17
132,165.98	662,607.24
<u>292,571.32</u>	<u>292,571.32</u>
<u>435,128.47</u>	<u>1,380,187.32</u>
	300,000.00
	<u>331,378.29</u>
	<u>631,378.29</u>
	<u>1,243,125.78</u>
<u>488,718.44</u>	<u>3,418,279.60</u>
<u>\$ 491,407.71</u>	<u>\$ 4,075,633.49</u>

**DIXIE 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	\$ 3,418,279.60
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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.	26,607,481.80
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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:

Bonds Payable	\$ 370,000.00	
Compensated Absences Payable	1,248,104.12	
Other Postemployment Benefits Payable	103,800.00	(1,721,904.12)

Total Net Position - Governmental Activities	\$ 28,303,857.28
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The accompanying notes to financial statements are an integral part of this statement.

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ 148,383.08	\$ 1,655,579.10	\$ 2,773.92
State	10,449,927.08		
Local:			
Property Taxes	3,112,204.64		
Charges for Services - Food Service			
Miscellaneous	234,822.83	1,445.00	
Total Local Revenues	<u>3,347,027.47</u>	<u>1,445.00</u>	
Total Revenues	<u>13,945,337.63</u>	<u>1,657,024.10</u>	<u>2,773.92</u>
Expenditures			
Current - Education:			
Instruction	7,838,324.61	1,241,307.21	
Pupil Personnel Services	742,970.62	123,760.81	
Instructional Media Services	47,798.04		
Instruction and Curriculum Development Services	373,409.69	68,296.33	
Instructional Staff Training Services	325,073.22	119,846.07	2,773.92
Instruction Related Technology	408,349.22	5,915.00	
School Board	239,180.93		
General Administration	199,232.95	73,865.63	
School Administration	892,634.90		
Facilities Acquisition and Construction			
Fiscal Services	380,510.53		
Food Services	12,136.02		
Central Services	20,414.61		
Pupil Transportation Services	999,693.63	18,863.05	
Operation of Plant	1,570,760.48		
Maintenance of Plant	360,722.81		
Administrative Technology Services	107,118.08		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	57,009.00	3,725.00	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>14,575,339.34</u>	<u>1,655,579.10</u>	<u>2,773.92</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(630,001.71)</u>	<u>1,445.00</u>	
Other Financing Sources (Uses)			
Transfers In	235,850.46		
Insurance Loss Recoveries	5,073.40		
Transfers Out			
Total Other Financing Sources (Uses)	<u>240,923.86</u>		
Net Change in Fund Balances	<u>(389,077.85)</u>	<u>1,445.00</u>	
Fund Balances, Beginning	<u>2,785,457.75</u>	<u>1,295.00</u>	
Fund Balances, Ending	<u>\$ 2,396,379.90</u>	<u>\$ 2,740.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,035,990.30	\$ 2,842,726.40
	103,332.29	10,553,259.37
729,845.76		3,842,050.40
	61,919.94	61,919.94
1,617.57	1,133.60	239,019.00
<u>731,463.33</u>	<u>63,053.54</u>	<u>4,142,989.34</u>
<u>731,463.33</u>	<u>1,202,376.13</u>	<u>17,538,975.11</u>
		9,079,631.82
		866,731.43
		47,798.04
		441,706.02
		447,693.21
		414,264.22
		239,180.93
		273,098.58
		892,634.90
385,802.97		385,802.97
	1,182,293.39	380,510.53
		1,194,429.41
		20,414.61
		1,018,556.68
		1,570,760.48
		360,722.81
		107,118.08
71,435.84		71,435.84
264,195.37		324,929.37
	45,000.00	45,000.00
	21,573.97	21,573.97
<u>721,434.18</u>	<u>1,248,867.36</u>	<u>18,203,993.90</u>
<u>10,029.15</u>	<u>(46,491.23)</u>	<u>(665,018.79)</u>
		235,850.46
(235,850.46)		5,073.40
<u>(235,850.46)</u>		<u>(235,850.46)</u>
<u>(235,850.46)</u>		<u>5,073.40</u>
(225,821.31)	(46,491.23)	(659,945.39)
756,262.57	535,209.67	4,078,224.99
<u>\$ 530,441.26</u>	<u>\$ 488,718.44</u>	<u>\$ 3,418,279.60</u>

**DIXIE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Governmental Funds \$ (659,945.39)

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. (833,994.36)

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. (17,484.00)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current fiscal year. 45,000.00

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. 23,293.57

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year. 58,700.00

Change in Net Position - Governmental Activities \$ (1,384,430.18)

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>229,439.00</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>229,439.00</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 primary government is reported separately from the legally separated component unit for which the primary government is financially accountable.

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 Dixie County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Dixie County School District (District) is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) 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 Dixie County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any 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, the following component unit is included within the District's reporting entity:

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's other component unit. A separate column is used to emphasize that it is legally separate from the District.

The Kinder Cub School, Inc. (Charter School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, The Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Dixie County District

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

School Board. The Charter school is considered to be a component unit of the District because the District is financially accountable for the Charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the Charter school, and there is the potential for the Charter school to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the Charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Charter school's audited financial statements for the fiscal year ended June 30, 2013. The audit report is filed in the District's administrative offices.

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.

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).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation, and remodeling projects.

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.

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

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

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

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 SBA debt service accounts for investment of debt service moneys, amounts placed with SBA for participation in the Florida PRIME investment pool created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at fiscal year-end to reflect year-end physical inventories.

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 \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or

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

constructed. Donated assets are recorded at fair value at the date of donation. Some buildings acquired or constructed prior to 1992 are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$4,506,828.04 of stated building values are based on these estimates.

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

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

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

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

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

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

8. Fund Balance Policies

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

The committed fund balance classification 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 Board Policy No. 7.011 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

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

The Board adopted the 2012 tax levy on September 11, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

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

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

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 Dixie Education Foundation, 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 - \$381,662

Prior Period Adjustment - (\$381,662)

Beginning Net Position (Post Adjustment) - \$0

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 on average daily balances.

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

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 1,002.78
Debt Service Accounts	6 Months	10,391.17
Certificates of Deposits	September 2013	729,607.89
Total Investments, Primary Government		<u>\$ 741,001.84</u>

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

➤ Interest Rate Risk

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

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.

➤ 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 SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

The District's investment in Florida PRIME is rated AAAm by Standard & Poor's.

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

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

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	\$ 857,449.40	\$ 33,500.00	\$	\$ 890,949.40
Construction in Progress	247,500.00			247,500.00
Total Capital Assets Not Being Depreciated	1,104,949.40	33,500.00		1,138,449.40
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,244,652.34	37,935.84		4,282,588.18
Buildings and Fixed Equipment	35,315,472.07			35,315,472.07
Furniture, Fixtures, and Equipment	2,404,402.77	77,004.87	91,312.32	2,390,095.32
Motor Vehicles	2,313,987.43	247,372.50	124,000.00	2,437,359.93
Audio Visual Materials and Computer Software	1,318,978.57	6,643.00		1,325,621.57
Total Capital Assets Being Depreciated	45,597,493.18	368,956.21	215,312.32	45,751,137.07
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,686,574.32	178,002.94		2,864,577.26
Buildings and Fixed Equipment	12,237,781.56	706,309.44		12,944,091.00
Furniture, Fixtures, and Equipment	1,867,365.41	97,381.17	89,428.32	1,875,318.26
Motor Vehicles	1,295,334.97	207,351.84	108,400.00	1,394,286.81
Audio Visual Materials and Computer Software	1,156,426.16	47,405.18		1,203,831.34
Total Accumulated Depreciation	19,243,482.42	1,236,450.57	197,828.32	20,282,104.67
Total Capital Assets Being Depreciated, Net	26,354,010.76	(867,494.36)	17,484.00	25,469,032.40
Governmental Activities Capital Assets, Net	\$ 27,458,960.16	\$ (833,994.36)	\$ 17,484.00	\$ 26,607,481.80

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 207,351.84
Unallocated	1,029,098.73
Total Depreciation Expense - Governmental Activities	\$ 1,236,450.57

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

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.

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

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
FRS, Senior Management Service	3.00	6.30
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$1,025,157.01, \$666,816.03, and \$684,689.54, respectively, which were equal to the required contributions for each fiscal year.

There were 12 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$24,884.17, 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, the District pays the cost of

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

healthcare benefits for certain retired former employees (explicitly subsidized). In previous fiscal years, the Board offered various one-time early retirement incentives consisting of payment of healthcare premiums for stated durations to employees electing to participate within the designated timelines. 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, 101 retirees received other postemployment benefits. The District provided required contributions of \$167,700 toward the annual OPEB cost, net of retiree contribution totaling \$179,753, which represents 1.7 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)	\$ 47,900
Amortization of Unfunded Actuarial Accrued Liability	59,300
Interest on Normal Cost and Amortization	<u>2,100</u>
Annual Required Contribution	109,300
Interest on Net OPEB Obligation	6,500
Adjustment to Annual Required Contribution	<u>(6,800)</u>
Annual OPEB Cost (Expense)	109,000
Contribution Toward the OPEB Cost	<u>(167,700)</u>
Change in Net OPEB Obligation	(58,700)
Net OPEB Obligation, Beginning of Year	<u>162,500</u>
Net OPEB Obligation, End of Year	<u><u>\$ 103,800</u></u>

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

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	\$ 287,400	68.0%	\$ 202,400
2011-12	148,600	126.9%	162,500
2012-13	109,000	153.9%	103,800

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, revised for OPEB Plan changes, the actuarial accrued liability for benefits was \$1,451,400, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,451,400 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$10,280,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.1 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 July 1, 2011, used the projected unit credit cost 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 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included payroll growth and general inflation rates of 2.5 percent per year, and an annual healthcare cost trend rate of 10 percent beginning with the 2011-12 fiscal year, decreasing at a rate of 0.5 percent to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized over 30 years on an open basis

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

F. 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			
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Total Governmental Funds
<u>\$ 331,378.29</u>	<u>\$ 1,317.60</u>	<u>\$ 28,439.40</u>	<u>\$ 361,135.29</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 Dixie County District School Board is a member of the North East Florida Educational Consortium (NEFEC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. NEFEC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for NEFEC is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for NEFEC.

Employee group health and hospitalization 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.

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

H. Long-Term Liabilities**1. Bonds Payable**

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 160,000	5.0	2018
Series 2010A, Refunding	210,000	4.0-5.0	2022
Total Bonds Payable	<u>\$ 370,000</u>		

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 63,250	\$ 45,000	\$ 18,250
2015	66,000	50,000	16,000
2016	68,500	55,000	13,500
2017	60,750	50,000	10,750
2018	68,250	60,000	8,250
2019-2022	124,000	110,000	14,000
Total State School Bonds	<u>\$ 450,750</u>	<u>\$ 370,000</u>	<u>\$ 80,750</u>

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

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 415,000.00	\$	\$ 45,000.00	\$ 370,000.00	\$ 45,000.00
Compensated Absences Payable	1,271,397.69	1,529,560.19	1,552,853.76	1,248,104.12	189,031.82
Other Postemployment Benefits Payable	162,500.00	109,000.00	167,700.00	103,800.00	
Total Governmental Activities	<u>\$ 1,848,897.69</u>	<u>\$ 1,638,560.19</u>	<u>\$ 1,765,553.76</u>	<u>\$ 1,721,904.12</u>	<u>\$ 234,031.82</u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. Due to the nature of the liability there is no amount of other postemployment benefits due in one year.

I. 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.

J. 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	\$ 223,970.74	\$
Special Revenue:		
Other		223,970.24
Total	<u>\$ 223,970.74</u>	<u>\$ 223,970.24</u>

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

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

K. 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:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 7,668,769.00
Categorical Educational Program - Class Size Reduction	2,174,993.00
Voluntary Pre-Kindergarten Program	205,297.84
School Recognition	94,411.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	84,103.89
Workforce Development Program	65,297.00
Food Service Supplement	19,938.00
Mobile Home License Tax	5,018.25
Miscellaneous	235,431.39
Total	<u><u>\$ 10,553,259.37</u></u>

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></u>	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.399	\$ 2,709,615.30
Basic Discretionary Local Effort	0.748	375,400.91
Critical Operating Needs	0.250	125,470.15
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	752,809.32
Total	<u><u>7.897</u></u>	<u><u>\$ 3,963,295.68</u></u>

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

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 235,850.46	\$
Capital Projects:		
Local Capital Improvement		235,850.46
Total	\$ 235,850.46	\$235,850.46

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

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 40,000.00	\$ 140,000.00	\$ 148,383.08	\$ 8,383.08
State	10,551,139.00	10,451,139.00	10,449,927.08	(1,211.92)
Local:				
Property Taxes	3,108,656.00	3,108,656.00	3,112,204.64	3,548.64
Miscellaneous	141,000.00	231,000.00	234,822.83	3,822.83
Total Local Revenues	3,249,656.00	3,339,656.00	3,347,027.47	7,371.47
Total Revenues	13,840,795.00	13,930,795.00	13,945,337.63	14,542.63
Expenditures				
Current - Education:				
Instruction	7,230,000.00	7,947,988.00	7,838,324.61	109,663.39
Pupil Personnel Services	701,000.00	746,000.00	742,970.62	3,029.38
Instructional Media Services	67,000.00	67,000.00	47,798.04	19,201.96
Instruction and Curriculum Development Services	362,000.00	377,000.00	373,409.69	3,590.31
Instructional Staff Training Services	286,000.00	326,000.00	325,073.22	926.78
Instruction Related Technology	367,000.00	409,000.00	408,349.22	650.78
School Board	238,000.00	240,000.00	239,180.93	819.07
General Administration	199,000.00	200,000.00	199,232.95	767.05
School Administration	837,000.00	897,000.00	892,634.90	4,365.10
Facilities Acquisition and Construction	25,000.00			
Fiscal Services	515,000.00	400,000.00	380,510.53	19,489.47
Food Services	11,000.00	13,500.00	12,136.02	1,363.98
Central Services	29,000.00	29,000.00	20,414.61	8,585.39
Pupil Transportation Services	977,000.00	1,002,000.00	999,693.63	2,306.37
Operation of Plant	1,931,000.00	1,681,003.00	1,570,760.48	110,242.52
Maintenance of Plant	269,000.00	369,000.00	360,722.81	8,277.19
Administrative Technology Services	65,000.00	115,000.00	107,118.08	7,881.92
Fixed Capital Outlay:				
Other Capital Outlay		57,009.00	57,009.00	
Total Expenditures	14,109,000.00	14,876,500.00	14,575,339.34	301,160.66
Deficiency of Revenues Over Expenditures	(268,205.00)	(945,705.00)	(630,001.71)	315,703.29
Other Financing Sources				
Transfers In	142,000.00	227,000.00	235,850.46	8,850.46
Insurance Loss Recoveries			5,073.40	5,073.40
Total Other Financing Sources	142,000.00	227,000.00	240,923.86	13,923.86
Net Change in Fund Balances	(126,205.00)	(718,705.00)	(389,077.85)	329,627.15
Fund Balances, Beginning	2,785,457.75	2,785,457.75	2,785,457.75	
Fund Balances, Ending	\$ 2,659,252.75	\$ 2,066,752.75	\$ 2,396,379.90	\$ 329,627.15

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,868,894.89	\$ 1,768,024.03	\$ 1,655,579.10	\$ (112,444.93)	\$ 2,773.92	\$ 2,773.92	\$ 2,773.92	\$
		1,445.00	1,445.00				
		1,445.00	1,445.00				
1,868,894.89	1,768,024.03	1,657,024.10	(110,999.93)	2,773.92	2,773.92	2,773.92	
1,370,479.00	1,281,523.00	1,241,307.21	40,215.79				
113,107.00	124,107.00	123,760.81	346.19				
96,547.00	92,910.00	68,296.33	24,613.67				
167,019.00	144,762.14	119,846.07	24,916.07	2,773.92	2,773.92	2,773.92	
488.00	5,988.00	5,915.00	73.00				
94,834.89	88,588.89	73,865.63	14,723.26				
27,715.00	27,715.00	18,863.05	8,851.95				
	3,725.00	3,725.00					
1,870,189.89	1,769,319.03	1,655,579.10	113,739.93	2,773.92	2,773.92	2,773.92	
(1,295.00)	(1,295.00)	1,445.00	2,740.00				
(1,295.00)	(1,295.00)	1,445.00	2,740.00				
1,295.00	1,295.00	1,295.00					
\$ 0.00	\$ 0.00	\$ 2,740.00	\$ 2,740.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2009	\$ 0	\$ 3,543,000	\$ 3,543,000	0.0%	\$ 10,960,000	32.3%
July 1, 2011	0	1,635,700	1,635,700	0.0%	10,280,000	15.9%
July 1, 2011, Revised	0	1,451,400	1,451,400	0.0%	10,280,000	14.1%

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

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

I. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and State Board of Education (SBE) 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 SBE 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 July 1, 2011, unfunded actuarial accrued liability of \$1,635,700 reported at June 30, 2012, was revised as of June 30, 2013, to \$1,451,400 as a result of changes in the medical benefits plan effective July 1, 2013.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**DIXIE 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	\$ 245,030.47
National School Lunch Program	10.555 (2)	300	771,472.69
Summer Food Service Program for Children	10.559	323	19,487.14
Total United States Department of Agriculture			1,035,990.30
National Science Foundation:			
Indirect:			
University of Florida:			
Education and Human Resources	47.076	None	10,300.00
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	486,412.94
Special Education - Preschool Grants	84.173	267	64,297.22
Marion County District School Board:			
Special Education - Grants to States	84.027 (3)	None	7,825.02
Putnam County District School Board:			
Special Education - Grants to States	84.027 (3)	None	1,429.50
Total Special Education Cluster			559,964.68
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	52,444.93
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	824,121.27
Career and Technical Education - Basic Grants to States	84.048	161	54,378.89
Rural Education	84.358	110	37,758.00
Improving Teacher Quality State Grants	84.367	224	136,165.85
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RG311	2,773.92
Total United States Department of Education			1,667,607.54
Total Expenditures of Federal Awards			\$ 2,713,897.84

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - National School Lunch Program. Includes \$94,227.55 of donated food received during the 2012-13 fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$495,667.46.



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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dixie County District School Board as of and for the fiscal year ended June 30, 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 19, 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 and the discretely presented component unit, as described in our report on the Dixie County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit 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 19, 2014



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for the Major Federal Program

We have audited the Dixie County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2013. The District's major Federal program is 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 the District's major Federal program 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on 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 its major Federal program for the fiscal year ended June 30, 2013.

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 the District's major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 19, 2014

**DIXIE 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 program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major program:	
CFDA Number:	Name of Federal Program:
84.010	Title I Grants to Local Educational Agencies
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Virtual Instruction

Section 1002.45, Florida Statutes, establishes virtual instruction program (VIP) requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

The District contracted with the North East Florida Educational Consortium (NEFEC), the Florida Virtual School, and a Florida Department of Education (FDOE)-approved provider to administer certain aspects of the VIP. During the 2012-13 fiscal year, 3 students were enrolled full-time, and 268 students were enrolled in one or two courses to supplement their school academic activity. While the District generally administered the VIP in accordance with applicable State requirements, the District had not established written policies and procedures for administering the VIP. Written policies and procedures would promote compliance with the VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls. Additionally, the lack of written VIP policies and procedures may have contributed to the following instances of the District's noncompliance and control deficiencies:

- Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in VIPs, and Section 1002.45(1)(b), Florida Statutes, requires all school districts to provide parents with timely written notification of the open enrollment periods for their VIPs. The District's and NEFEC's Web sites have links with information about the District's VIP, and District personnel indicated that parental notifications were made by written notices distributed to students, and flyers were posted and brochures made available in school guidance offices. While these methods indicate efforts by District personnel to communicate with parents and students about the VIPs for the 2012-13 school year, school district records did not evidence that written notifications were provided directly to parents of students or include open enrollment dates. Without timely written notification and open enrollment dates provided directly to parents, some parents may not have been informed of the available VIP options, potentially resulting in limited student access to virtual instruction types.
- Section 1012.55(1), Florida Statutes, requires that each person serving in an instructional capacity in any public school in any school district within Florida, including personnel providing direct instruction to students through a virtual environment or through a blended virtual and physical environment, hold the certificate required by law. In addition, Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a condition of approval by the FDOE as a VIP provider in the State. The District's contracts with NEFEC, the Florida Virtual School, and the FDOE-approved provider indicated that the VIP providers were responsible for assigning teachers who are certified in their respective areas and for supervising the contracted teachers. However, the District did not request or obtain confirmation that the teachers were certified, or were subject to required background screenings. Without effective controls to ensure that VIP provider teachers are certified and subjected to required background screenings, there is an increased risk that teachers may not be appropriately certified and may have backgrounds that are inappropriate for communicating with students.

- Section 1002.455(1), Florida Statutes, authorizes students to participate in a VIP if they meet certain eligibility criteria as specified in Section 1002.455(2), Florida Statutes, such as attending a Florida public school in the prior year and being funded by the Florida Education Finance Program, being eligible to enter kindergarten or first grade, and other qualifying reasons. District personnel indicated that student eligibility was verified prior to enrollment in a VIP option; however, District records did not document the verification of each student's eligibility. While our tests indicated that students participating in VIP met the eligibility criteria, our tests do not substitute for the District's responsibility to ensure appropriate control procedures. Absent effective control procedures to verify and document student eligibility, there is an increased risk that, contrary to State law, ineligible students may participate in a VIP.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should ensure direct written notification and open enrollment dates to all parents about student opportunities to participate in the VIP, documented verification that teachers who provide VIP services are appropriately certified and subject to required background screenings, and documented verification that students enrolled in the VIP are eligible.

Finding No. 2: VIP Contract Reporting

Pursuant to Section 1002.45(1)(c), Florida Statutes, a school district may contract with the Florida Virtual School or an approved provider to provide students the option of participating in VIP, and such contracts may include multidistrict contractual arrangements that are executed by a regional consortium for its member districts. Section 1002.45(1)(e)1., Florida Statutes, requires that each school district annually submit a copy of each VIP contract procured and the amounts paid per unweighted full-time equivalent (FTE) student to the FDOE by October 1.

For the 2012-13 fiscal year, the District entered into three VIP contractual arrangements and, pursuant to the agreements, the District was to pay a per-student fee based on student participation and successful completions and the District was responsible for reporting information to the FDOE. However, contrary to Section 1002.45(1)(e)1., Florida Statutes, the District did not submit a copy of the contracts or the amounts paid per unweighted FTE student to the FDOE because District personnel were unaware of this reporting requirement. It is important that the required information be timely submitted to the FDOE to ensure the FDOE appropriately evaluates the effectiveness and efficiency of various types of instructional programs and methods.

Recommendation: The District should enhance its procedures to ensure that VIP contracts and amounts paid per unweighted FTE student are reported to the FDOE as required by Section 1002.45(1)(e)1., Florida Statutes.

Finding No. 3: Facilities Management

The facilities management team is responsible for managing outsourced construction and renovation projects. The facilities and maintenance department (department) is responsible for maintenance of schools and ancillary facilities and ensuring facilities are safe and suitable for their intended use. The department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the department employed three workers, and the department's operating cost was \$360,723. Also, during this fiscal year, the District had expenditures totaling \$71,436 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 September 10, 2013, the District planned to spend \$913,034 on construction and renovation 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 \$40.7 million and, as shown in the FDOE's Florida Inventory of School Houses data, permanent facilities and relocatables had average ages of 30 and 24 years, respectively.

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

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional competitive bid and construction manager at risk methods. In addition, 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 construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine for each major construction project or significant maintenance-related job which would be most cost effective and beneficial. In response to our inquiries, District personnel indicated that due to the limited number of staff in the facilities and maintenance department, they consider management processes effective to meet the objectives for their department. However, Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability.** District personnel indicated that the department had established goals, such as the timely completion of construction projects and 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 construction or maintenance projects that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project did not initially meet building code requirements, and to compare project costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measureable 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 facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing and documenting goals and objectives for the facilities and maintenance department to identify cost-effectiveness or efficiency outcomes for department personnel.

Finding No. 4: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for

incident response training, notification to affected parties, and incident analysis and assessment of additional actions needed.

Although District personnel developed a written security incident operating procedure for reporting computer security incidents during the 2011-12 fiscal year, the District's security incident response plan lacked the following provisions:

- An established process, pursuant to Section 817.5681, Florida Statutes, of notifying affected parties whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person;
- An established process for modifying access control policies and techniques resulting from the occurrence of security violations, incidents, or new threat assessments;
- Procedures for periodically reviewing critical system resources; and
- Identification of security incident response team members.

The lack of an adequate security incident response plan may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and information technology (IT) resources. Similar findings were noted in our report Nos. 2012-128 and 2013-115.

Recommendation: The District should enhance its security incident response plan to provide reasonable assurance that the district will respond in a timely and appropriate manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

Finding No. 5: Information Technology – Written Policies and Procedures

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

The District lacked written policies and procedures for monitoring end-user workstation administrative rights and monitoring and reviewing logs of system events. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in our report Nos. 2012-128 and 2013-115.

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

Finding No. 6: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of Application Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of application activity 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 user authentication, data loss prevention, and logging and monitoring of application activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT

resources may be compromised. Similar findings related to the District's data loss program were communicated to District management in connection with our report Nos. 2012-128 and 2013-115.

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-115. 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
4	Audit Report No. 2013-115 Finding No. 2	Audit Report No. 2012-128 Finding No. 5
5	Audit Report No. 2013-115 Finding No. 4	Audit Report No. 2012-128 Finding No. 3
6	Audit Report No. 2013-115 Finding No. 3	Audit Report No. 2012-128 Finding No. 4

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

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

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2013-115		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

DIXIE DISTRICT SCHOOLS

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

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

Chairman of Board
Timothy Alexander
Vice Chairman of Board
Cheryl Pridgeon



Board Members
Chuck Farmer
Paul Gainey
Dwayne Rollison

February 19, 2014

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

Dear Mr. Martin,

Pursuant to Section 11.45(4)(d), Florida Statutes, we are required to submit to you a written statement of explanation concerning all of the findings, including our actual and proposed corrective actions. Below is our response to the preliminary and tentative audit findings and recommendations in your audit for fiscal year ended June 30, 2013.

Finding 1: Virtual Instruction. District Virtual Instruction Program (VIP) policies and procedures are currently being written. These will include written parent notification, verification of eligibility, equipment provided to VIP students by the district, certified teachers, background screenings, and VIP contracts. Written parent notifications were mailed out May 10, 2013. Verification of eligibility is made prior to each student enrollment in VIP. A spreadsheet is maintained to document eligibility of each VIP student. A list of all equipment provided to VIP students is maintained at the district office. VIP contracts are on file at the district office. The contact for this is Ms. Dennee Hurst, Director of Curriculum.

Finding 2: VIP Contract Reporting. The district is maintaining communication with DOE regarding 7001 VIP contracts to ensure that appropriate VIP contracts and amounts per unweighted FTE students are reported as required. The contact for this is Ms. Dennee Hurst, Director of Curriculum.

Finding 3: Facilities Management. The district will develop written procedures for facilities management including periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques and documentation of these evaluations. In addition, we will develop procedures to establish goals and objectives and the related procedures for documentation for the facilities and maintenance department to identify cost-effectiveness and/or efficiency outcomes for department personnel. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Finding 4: Information Technology – Security Incident Response Plan. At this time we have revised and enhanced the district's security incident response plan to provide reasonable assurance that the district will respond in a timely and appropriate manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding 5: Information Technology – Policies and Procedures. We are continuing to address and write policies, plans, and procedures for all areas of the IT operation. We expect to have the required written procedures in place to document management's expectations for the performance of the IT functions in a timely manner. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Finding 6: Information Technology – Security Controls– User Authentication, Data Loss Prevention, and Logging and Monitoring of Application Activity. We will improve security controls related to user authentication, data loss prevention, and logging and monitoring of application activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources. The contact for this is Mrs. Charlotte Lord, Director of Safety, Facilities, and Special Projects.

Respectfully,

A handwritten signature in blue ink that reads "Mark A. Rains". The signature is fluid and cursive, with the first name "Mark" and last name "Rains" clearly distinguishable.

Mark A. Rains, Superintendent
Dixie District Schools