

JEFFERSON COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Edward W. Vollertsen to 11-19-12	1
Phil Barker from 11-20-12, Vice Chair	1
Sandra Saunders	2
Shirley A. Washington	3
Marianne Arbulu to 11-19-12, Chair	4
Larry Halsey from 11-20-12	4
Charles Boland, Vice Chair to 11-19-12, Chair from 11-20-12	5

William E. Brumfield, Superintendent to 11-19-12
Al Cooksey, Superintendent from 11-20-12

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

The audit team leader was Stacy P. Boyd, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit 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.

**JEFFERSON COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

SIGNIFICANT DEFICIENCIES

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

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

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

ADDITIONAL MATTERS

Finding No. 3: The District needed to enhance its budgetary process.

Finding No. 4: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 5: Controls over capital assets needed improvement.

Finding No. 6: The District expended \$417,031 of certain State capital outlay appropriations that were subject to reversion to the State.

Finding No. 7: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in \$9,181 of questioned costs.

Finding No. 8: Controls over journal entries needed enhancement.

Finding No. 9: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 10: Controls over monitoring school bus drivers could be enhanced.

Finding No. 11: The Board had not adopted a plan for the use of unspent workforce development funds accumulated over several years.

Finding No. 12: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 13: Some inappropriate and unnecessary information technology (IT) access privileges existed.

Finding No. 14: The District had not developed a written, comprehensive IT disaster recovery plan.

Finding No. 15: The District lacked written policies and procedures for certain IT functions.

Finding No. 16: The District had not implemented a comprehensive IT security awareness training program.

Finding No. 17: District IT security controls related to data loss prevention needed improvement.

Summary of Report on Federal Awards

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

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

Federal Awards Finding No. 2: District procedures for reporting School Improvement and Race-to-the-Top program expenditures needed improvement.

Federal Awards Finding No. 3: The District did not properly allocate Title I schoolwide program resources to schools, resulting in \$7,379 of questioned costs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2013-154.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson 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 6 percent of the assets and 79 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Jefferson 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.

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jefferson 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:

- In total, the District's net position decreased by \$136,785.05 from the 2011-12 fiscal year.
- At June 30, 2013, the unrestricted net position deficit is \$561,488.86, compared to a deficit of \$575,179.69 at June 30, 2012.
- General revenues total \$10,554,213.34. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1,239,001.32, and an extraordinary item from insurance loss recoveries totals \$714,036.97.
- Expenses total \$12,644,036.68. Only \$1,239,001.32 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues and extraordinary item by \$136,785.05.
- The unassigned fund balance of the General Fund, which is available for general appropriations by the Board, is \$640,313.31 at June 30, 2013, while the total fund balance was 1,184,120.88.

NON-FINANCIAL EVENTS

The District's student enrollment decreased by 42 students, or 4 percent, from the prior school year.

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 District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide 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, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information.

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	\$ 3,304,423.27	\$ 3,177,482.87
Capital Assets	28,391,276.41	29,147,717.61
Total Assets	31,695,699.68	32,325,200.48
Long-Term Liabilities	1,807,588.61	1,972,041.59
Other Liabilities	128,053.83	456,316.60
Total Liabilities	1,935,642.44	2,428,358.19
Net Position:		
Net Investment in Capital Assets	27,979,087.51	28,585,443.77
Restricted	2,342,458.59	1,886,578.21
Unrestricted Deficit	(561,488.86)	(575,179.69)
Total Net Position	\$ 29,760,057.24	\$ 29,896,842.29

The largest portion of the District's net position (94 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.

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

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

Operating Results for the Fiscal Year Ended			
		Governmental Activities	
		6-30-13	6-30-12
Program Revenues:			
Charges for Services	\$	85,011.65	\$ 93,475.28
Operating Grants and Contributions		860,660.09	818,170.35
Capital Grants and Contributions		293,329.58	74,301.81
General Revenues:			
Property Taxes, Levied for Operational Purposes		3,603,516.56	3,595,466.57
Property Taxes, Levied for Capital Projects		870,931.20	845,086.99
Grants and Contributions Not Restricted to Specific Programs		5,719,408.86	6,239,811.35
Unrestricted Investment Earnings		2,826.69	2,848.19
Miscellaneous		357,530.03	408,812.01
Total Revenues		11,793,214.66	12,077,972.55
Functions/Program Expenses:			
Instruction		5,324,598.07	5,355,315.26
Pupil Personnel Services		366,750.83	326,275.84
Instructional Media Services		98,993.48	91,229.95
Instruction and Curriculum Development Services		292,342.41	301,940.84
Instructional Staff Training Services		385,313.80	505,293.09
Instruction Related Technology		178,733.63	171,127.68
School Board		304,154.56	339,408.81
General Administration		529,457.44	608,216.08
School Administration		735,191.39	594,875.87
Facilities Acquisition and Construction		139,631.08	210,216.90
Fiscal Services		242,231.46	270,739.29
Food Services		564,454.96	550,831.64
Central Services		19,767.91	30,126.71
Pupil Transportation Services		889,359.65	871,801.96
Operation of Plant		1,129,767.73	1,077,420.23
Maintenance of Plant		374,570.95	178,261.55
Administrative Technology Services		221,015.29	96,468.94
Unallocated Interest on Long-Term Debt		19,711.37	14,249.36
Unallocated Depreciation Expense		810,051.86	788,342.66
Loss on Disposal of Capital Assets		17,938.81	
Total Functions/Program Expenses		12,644,036.68	12,382,142.66
Extraordinary Item		714,036.97	
Change in Net Position		(136,785.05)	(304,170.11)
Net Position - Beginning		29,896,842.29	30,201,012.40
Net Position - Ending	\$	29,760,057.24	\$ 29,896,842.29

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

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

Grants and contributions not restricted to specific programs revenues decreased by \$520,402.49, or 8 percent, primarily due to a decrease in Federal stimulus revenues and other Federal revenues.

Capital grants and contributions revenue increased by \$219,027.77 or 295 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The increase in funding is mainly due to the District receiving encumbrance authorizations for three years of Classrooms First Program appropriations during the 2012-13 fiscal year.

An extraordinary item increased net position by \$714,036.97 for insurance proceeds resulting from an elementary school building destroyed by fire in January 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$455,203.17 during the fiscal year to \$3,176,369.44 at June 30, 2013. Approximately 20 percent of this amount is unassigned fund balance (\$637,548.36), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$122,483.49), 2) restricted for particular purposes (\$2,286,799), or 3) assigned for particular purposes (\$129,558.59).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$640,313.31, while the total fund balance is \$1,184,120.88. The total fund balance increased by \$32,020.97 during the fiscal year primarily as a result of increases in unexpended restricted revenues carried forward.

The Special Revenue – Other Fund had total revenues and expenditures during the fiscal year of \$1,303,801.47 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. The overall level of activity decreased as some grant funds were intentionally unexpended in anticipation of Federal sequestration cuts.

The Special Revenue – Federal Economic Stimulus Fund had total revenues and expenditures of \$624,534.65 each during the fiscal year. Because grant revenues and expenditures are recognized like the Special Revenue – Other Fund, this fund generally does not accumulate a fund balance. Fund activity declined due to the ongoing expiration of stimulus moneys.

The Capital Projects – Local Capital Improvement Fund and the Capital Projects – Other Fund have a total fund balances of \$916,878.76 and \$368,393.34. These funds are restricted for the acquisition, construction, and maintenance of capital assets. The fund balance for these major capital projects funds increased primarily from the District not expending funds on any major capital outlay projects during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget several times; however, it still overspent its total revised budgeted appropriations by \$587,804.21. The District was able to maintain its fund balances due to insurance proceeds received as discussed above. At the end of the fiscal year, this insurance claim had not been finalized. The variances that occurred between the final budget and the actual amounts are disclosed in the notes to financial statements.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is \$28,391,276.41 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software. Additional information on the District's capital assets can be found in notes I.G.4 and II.C to the financial statements.

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of \$412,188.90, comprised of \$317,188.90 of installment-purchase payable and \$95,000 of bonds payable. During the current fiscal year, the District retired \$150,084.94 of debt and did not issue any new debt.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jefferson County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Jefferson County District School Board, 575 South Water Street, Monticello, Florida 32344.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,123,185.98
Accounts Receivable	20,489.24
Taxes Receivable	28,812.38
Due From Reinsurer	714,036.97
Due from Other Agencies	292,429.10
Investments	46,456.70
Inventories	79,012.90
Capital Assets:	
Nondepreciable Capital Assets	1,004,889.14
Depreciable Capital Assets, Net	27,386,387.27
TOTAL ASSETS	31,695,699.68
LIABILITIES	
Payroll Deductions and Withholdings	70,141.80
Accounts Payable	37,796.07
Unearned Revenue	20,115.96
Long-Term Liabilities:	
Portion Due Within One Year	202,524.33
Portion Due After One Year	1,605,064.28
TOTAL LIABILITIES	1,935,642.44
NET POSITION	
Net Investment in Capital Assets	27,979,087.51
Restricted for:	
State Required Carryover Programs	81,079.71
Workforce Development	191,740.00
Fuel Tax Refunds	77,390.32
Debt Service	2,986.11
Capital Projects	1,695,471.24
Food Service	293,791.21
Unrestricted	(561,488.86)
TOTAL NET POSITION	\$ 29,760,057.24

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 5,324,598.07	\$ 11,000.43	\$	\$	\$ (5,313,597.64)
Pupil Personnel Services	366,750.83				(366,750.83)
Instructional Media Services	98,993.48				(98,993.48)
Instruction and Curriculum Development Services	292,342.41				(292,342.41)
Instructional Staff Training Services	385,313.80				(385,313.80)
Instruction Related Technology	178,733.63				(178,733.63)
School Board	304,154.56				(304,154.56)
General Administration	529,457.44				(529,457.44)
School Administration	735,191.39				(735,191.39)
Facilities Acquisition and Construction	139,631.08			292,127.33	152,496.25
Fiscal Services	242,231.46				(242,231.46)
Food Services	564,454.96	53,918.57	580,739.09		70,202.70
Central Services	19,767.91				(19,767.91)
Pupil Transportation Services	889,359.65	20,092.65	279,921.00		(589,346.00)
Operation of Plant	1,129,767.73				(1,129,767.73)
Maintenance of Plant	374,570.95				(374,570.95)
Administrative Technology Services	221,015.29				(221,015.29)
Unallocated Interest on Long-Term Debt	19,711.37			1,202.25	(18,509.12)
Unallocated Depreciation Expense*	810,051.86				(810,051.86)
Loss on Disposal of Capital Assets	17,938.81				(17,938.81)
Total Governmental Activities	\$ 12,644,036.68	\$ 85,011.65	\$ 860,660.09	\$ 293,329.58	(11,405,035.36)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					3,603,516.56
Property Taxes, Levied for Capital Projects					870,931.20
Grants and Contributions Not Restricted to Specific Programs					5,719,408.86
Unrestricted Investment Earnings					2,826.69
Miscellaneous					357,530.03
Extraordinary Item: Insurance Loss Recoveries					714,036.97
Total General Revenues and Extraordinary Item					11,268,250.31
Change in Net Position					(136,785.05)
Net Position - Beginning					29,896,842.29
Net Position - Ending					\$ 29,760,057.24

* 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.

**JEFFERSON 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
ASSETS				
Cash and Cash Equivalents	\$ 334,732.39	\$ 16,761.90	\$	\$ 830,419.73
Accounts Receivable				20,489.24
Taxes Receivable	23,200.72			5,611.66
Due from Reinsurer	714,036.97			
Due from Other Funds	59,581.37			60,000.00
Due from Other Agencies	58,557.45	85,589.11	60,202.27	358.13
Investments	28,183.58	2,764.95		
Inventories	35,855.37			
Total Assets	\$ 1,254,147.85	\$ 105,115.96	\$ 60,202.27	\$ 916,878.76
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 70,026.97	\$	\$ 114.83	\$
Accounts Payable			25,506.07	
Due to Other Funds		85,000.00	34,581.37	
Unearned Revenue		20,115.96		
Total Liabilities	70,026.97	105,115.96	60,202.27	
Fund Balances:				
Nonspendable:				
Inventories	35,855.37			
SBA Fund B	28,183.58	2,764.95		
Total Nonspendable Fund Balance	64,038.95	2,764.95		
Restricted for:				
State Required Carryover Programs	81,079.71			
Workforce Development	191,740.00			
Fuel Tax Refunds	77,390.32			
Debt Service				
Capital Projects				916,878.76
Food Service				
Total Restricted Fund Balance	350,210.03			916,878.76
Assigned for:				
Purchase Order Obligations	129,558.59			
Total Assigned Fund Balance	129,558.59			
Unassigned Fund Balance	640,313.31	(2,764.95)		
Total Fund Balances	1,184,120.88			916,878.76
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,254,147.85	\$ 105,115.96	\$ 60,202.27	\$ 916,878.76

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 284,512.86	\$ 656,759.10	\$ 2,123,185.98
		20,489.24
		28,812.38
		714,036.97
		119,581.37
81,482.00	6,240.14	292,429.10
2,398.48	13,109.69	46,456.70
	43,157.53	79,012.90
<u>\$ 368,393.34</u>	<u>\$ 719,266.46</u>	<u>\$ 3,424,004.64</u>
\$	\$	\$
	12,290.00	70,141.80
		37,796.07
		119,581.37
		20,115.96
	12,290.00	247,635.20
	43,157.53	79,012.90
2,398.48	10,123.58	43,470.59
<u>2,398.48</u>	<u>53,281.11</u>	<u>122,483.49</u>
		81,079.71
		191,740.00
		77,390.32
	2,986.11	2,986.11
365,994.86	400,098.24	1,682,971.86
	250,611.00	250,611.00
<u>365,994.86</u>	<u>653,695.35</u>	<u>2,286,779.00</u>
		129,558.59
		129,558.59
		637,548.36
<u>368,393.34</u>	<u>706,976.46</u>	<u>3,176,369.44</u>
<u>\$ 368,393.34</u>	<u>\$ 719,266.46</u>	<u>\$ 3,424,004.64</u>

**JEFFERSON 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 \$ 3,176,369.44

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. 28,391,276.41

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Installment-Purchase Payable	\$ 317,188.90	
Bonds Payable	95,000.00	
Compensated Absences Payable	1,067,503.71	
Other Postemployment Benefits Payable	327,896.00	(1,807,588.61)
	<u>327,896.00</u>	<u>(1,807,588.61)</u>

Net Position - Governmental Activities \$ 29,760,057.24

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 37,805.57	\$	\$	\$
Federal Through State and Local State	148,234.34 3,886,156.08	1,303,801.47	624,534.65	
Local:				
Property Taxes	3,603,516.56			870,931.20
Charges for Services - Food Service				
Miscellaneous	389,281.14			649.18
Total Local Revenues	<u>3,992,797.70</u>			<u>871,580.38</u>
Total Revenues	<u>8,064,993.69</u>	<u>1,303,801.47</u>	<u>624,534.65</u>	<u>871,580.38</u>
Expenditures				
Current - Education:				
Instruction	4,419,109.47	755,641.76	157,855.99	
Pupil Personnel Services	319,171.91	45,945.35	2,250.00	
Instructional Media Services	97,679.44		1,475.00	
Instruction and Curriculum Development Services	65,340.74	175,533.12	51,970.47	
Instructional Staff Training Services	15,400.00	119,623.22	250,530.23	
Instruction Related Technology	149,913.80		29,086.58	
School Board	304,455.85			
General Administration	339,442.22	153,788.00	36,871.56	
School Administration	736,445.72			
Facilities Acquisition and Construction				133,075.02
Fiscal Services	242,603.14			
Food Services				
Central Services	11,136.00	4,919.79	3,712.12	
Pupil Transportation Services	746,493.60	28,360.52		
Operation of Plant	1,024,159.07			106,004.00
Maintenance of Plant	250,676.30			71,627.35
Administrative Technology Services	174,820.55		29,215.20	17,091.64
Fixed Capital Outlay:				
Facilities Acquisition and Construction	3,368.01			
Other Capital Outlay	99,102.73	19,989.71	61,567.50	
Debt Service:				
Principal				100,084.94
Interest and Fiscal Charges				12,630.60
Total Expenditures	<u>8,999,318.55</u>	<u>1,303,801.47</u>	<u>624,534.65</u>	<u>440,513.55</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(934,324.86)</u>			<u>431,066.83</u>
Other Financing Sources (Uses)				
Transfers In	252,308.86			
Transfers Out				(252,308.86)
Total Other Financing Sources (Uses)	<u>252,308.86</u>			<u>(252,308.86)</u>
Extraordinary Item - Insurance Loss Recoveries	714,036.97			
Net Change in Fund Balances	32,020.97			178,757.97
Fund Balances, Beginning	1,152,099.91			738,120.79
Fund Balances, Ending	<u>\$ 1,184,120.88</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 916,878.76</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	568,921.09	37,805.57
212,223.00	91,722.33	2,645,491.55
		4,190,101.41
		4,474,447.76
	53,918.57	53,918.57
13.32	1,506.16	391,449.80
13.32	55,424.73	4,919,816.13
212,236.32	716,068.15	11,793,214.66
		5,332,607.22
		367,367.26
		99,154.44
		292,844.33
		385,553.45
		179,000.38
		304,455.85
		530,101.78
		736,445.72
		133,075.02
	564,876.87	242,603.14
		564,876.87
		19,767.91
		774,854.12
	52,448.80	1,130,163.07
		374,752.45
		221,127.39
		3,368.01
	9,473.80	190,133.74
	50,000.00	150,084.94
	7,080.77	19,711.37
	683,880.24	12,052,048.46
212,236.32	32,187.91	(258,833.80)
		252,308.86
		(252,308.86)
		714,036.97
212,236.32	32,187.91	455,203.17
156,157.02	674,788.55	2,721,166.27
\$ 368,393.34	\$ 706,976.46	\$ 3,176,369.44

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

Net Change in Fund Balances - Governmental Funds **\$ 455,203.17**

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. (738,502.39)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (17,938.81)

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

Installment-Purchase Payable	\$	100,084.94	
Bonds Payable		50,000.00	150,084.94

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. 6,817.04

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. 7,551.00

Change in Net Position - Governmental Activities **\$ (136,785.05)**

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

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

	Agency Funds
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ <u>45,117.00</u>
LIABILITIES	
Accounts Payable	\$ 18,251.00
Internal Accounts Payable	<u>26,866.00</u>
TOTAL LIABILITIES	<u>\$ 45,117.00</u>

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

**JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Jefferson County School District's (District) 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 Jefferson County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The 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 Jefferson County.

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

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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, and debt service payments on installment-purchases of buses.
- Capital Projects – Other Fund – to account for the financial resources generated by various State and local resources, including Classrooms First Program appropriation.

Additionally, the District reports the following fiduciary fund type:

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

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

E. Basis of Accounting

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

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

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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

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

F. Budgetary Information

Excess of Expenditures Over Appropriations in Individual Funds. For the fiscal year ended June 30, 2013, expenditures exceed appropriations by function for the following individual funds:

Fund/Activities	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
Instruction	\$ 4,322,600.01	\$ 4,419,109.47	\$ (96,509.46)
Pupil Personnel Services	171,730.34	319,171.91	(147,441.57)
Instructional Media Services	83,298.30	97,679.44	(14,381.14)
Instruction and Curriculum Development Services	41,397.00	65,340.74	(23,943.74)
Instructional Staff Training Services	35.00	15,400.00	(15,365.00)
School Administration	524,899.00	736,445.72	(211,546.72)
Central Services	5,000.00	11,136.00	(6,136.00)
Pupil Transportation Services	714,706.00	746,493.60	(31,787.60)
Operation of Plant	988,103.00	1,024,159.07	(36,056.07)
Maintenance of Plant	196,615.59	250,676.30	(54,060.71)
Administrative Technology Services	89,770.61	174,820.55	(85,049.94)
Total	<u>\$ 7,138,154.85</u>	<u>\$ 7,860,432.80</u>	<u>\$ (722,277.95)</u>

G. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

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

2. Investments

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares

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

are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

5. Long-Term Liabilities

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

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

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

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed balances at June 30, 2013.

**JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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 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.

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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

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

The Board adopted the 2012 tax levy on September 17, 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 Jefferson County Tax Collector at fiscal year-end but not yet remitted to the District.

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

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.

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

I. Extraordinary Item

On January 26, 2013, a fire occurred at the Jefferson County Elementary School, damaging a wing of the school. The District received \$714,036.97 in insurance loss recoveries, as part of an insurance claim filed by the District.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 128,155.41
Fund B	3.98 Year Average	43,470.59
Debt Service Accounts	6 Months	2,986.11
Total Investments		<u>\$ 174,612.11</u>

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

➤ **Interest Rate Risk**

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

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

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

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

➤ **Credit Risk**

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the 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. Fund B is unrated.

**JEFFERSON 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	\$ 992,276.14	\$	\$	\$ 992,276.14
Construction in Progress	12,613.00			12,613.00
Total Capital Assets Not Being Depreciated	1,004,889.14			1,004,889.14
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	944,582.81			944,582.81
Buildings and Fixed Equipment	36,535,876.29			36,535,876.29
Furniture, Fixtures, and Equipment	2,740,145.60	174,678.64	631,412.50	2,283,411.74
Motor Vehicles	2,164,988.86			2,164,988.86
Audio Visual Materials and Computer Software	421,810.38	12,263.70	121,652.58	312,421.50
Total Capital Assets Being Depreciated	42,807,403.94	186,942.34	753,065.08	42,241,281.20
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	937,201.54	989.35		938,190.89
Buildings and Fixed Equipment	10,538,106.15	684,151.85		11,222,258.00
Furniture, Fixtures, and Equipment	1,638,495.95	107,573.89	613,473.69	1,132,596.15
Motor Vehicles	1,203,381.62	115,392.87		1,318,774.49
Audio Visual Materials and Computer Software	347,390.21	17,336.77	121,652.58	243,074.40
Total Accumulated Depreciation	14,664,575.47	925,444.73	735,126.27	14,854,893.93
Total Capital Assets Being Depreciated, Net	28,142,828.47	(738,502.39)	17,938.81	27,386,387.27
Governmental Activities Capital Assets, Net	\$ 29,147,717.61	\$ (738,502.39)	\$ 17,938.81	\$ 28,391,276.41

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$115,392.87
Unallocated	810,051.86
Total Depreciation Expense - Governmental Activities	<u>\$925,444.73</u>

**JEFFERSON 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.

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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
Deferred Retirement Option Program - Applicable to Member 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 \$550,127.81, \$397,658.33, and \$494,170.82, respectively, which were equal to the required contributions for each fiscal year.

There were 11 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$20,518.30, 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. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary

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

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, 17 retirees received other postemployment benefits. The District provided required contributions of \$66,676 toward the annual OPEB cost, net of retiree contributions totaling \$94,142, which represents 3.17 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)	\$ 25,696
Amortization of Unfunded Actuarial Accrued Liability	<u>64,458</u>
Annual Required Contribution	90,154
Interest on Net OPEB Obligation	10,902
Adjustment to Annual Required Contribution	<u>(41,931)</u>
Annual OPEB Cost (Expense)	59,125
Contribution Toward the OPEB Cost	<u>(66,676)</u>
Change in Net OPEB Obligation	(7,551)
Net OPEB Obligation, Beginning of Year	<u>335,447</u>
Net OPEB Obligation, End of Year	<u><u>\$ 327,896</u></u>

**JEFFERSON 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	\$ 77,181	101.31%	\$ 331,218
2011-12	82,032	94.84%	335,447
2012-13	59,125	112.78%	327,896

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$507,482, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$507,482, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$2,966,564, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.11 percent.

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

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

The District's OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.25 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, projected salary increases of 4.0 to 8.25 percent, and an annual healthcare cost trend rate of 5 percent initially beginning January 1, 2013, rising to 8 percent the following year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent beginning January 2020. The investment rate of return and projected salary rates include a general price inflation of 3 percent. The

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

unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 8 years.

F. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2013:

Major Funds				
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Total Governmental Funds
\$ 129,558.59	\$ 4,580.28	\$ 14,910.62	\$ 2,660.00	\$ 151,709.49

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 Jefferson County District School Board is a member of the Panhandle Area Educational – Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

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

H. Installment-Purchase Payable

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

	<u>Asset Balance</u>
Buses	<u>\$ 528,911</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 111,637.16	\$ 102,855.79	\$ 8,781.37
2015	111,637.16	105,703.35	5,933.81
2016	111,637.16	108,629.76	3,007.40
Total Minimum Installment-Purchase Payments	<u>\$ 334,911.48</u>	<u>\$ 317,188.90</u>	<u>\$ 17,722.58</u>

The stated interest rate is 2.94 percent.

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

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds: Series 2011A, Refunding	\$ 95,000.00	4.0 - 5.0	2015

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

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

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	\$ 54,750	\$ 50,000	\$ 4,750
2015	47,250	45,000	2,250
Total	<u>\$ 102,000</u>	<u>\$ 95,000</u>	<u>\$ 7,000</u>

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchase Payable	\$ 417,273.84	\$	\$100,084.94	\$ 317,188.90	\$102,855.79
Bonds Payable	145,000.00		50,000.00	95,000.00	50,000.00
Compensated Absences Payable	1,074,320.75	396,503.71	403,320.75	1,067,503.71	49,668.54
Other Postemployment Benefits Payable	335,447.00	59,125.00	66,676.00	327,896.00	
Total Governmental Activities	<u>\$ 1,972,041.59</u>	<u>\$ 455,628.71</u>	<u>\$ 620,081.69</u>	<u>\$ 1,807,588.61</u>	<u>\$ 202,524.33</u>

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

J. Fund Balance Reporting

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

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

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

K. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 59,581.37	\$
Special Revenue:		
Other		85,000.00
Federal Economic Stimulus		34,581.37
Capital Projects:		
Local Capital Improvement	60,000.00	
Total	<u>\$119,581.37</u>	<u>\$119,581.37</u>

The receivables and payables were primarily for temporary loans to cover negative cash balances in a pooled account. The amounts are expected to be repaid within one year.

L. Revenues and Expenditures/Expenses**1. Schedule of State Revenue Sources**

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

Source	Amount
Florida Education Finance Program	\$ 2,303,404.00
Categorical Educational Program - Class Size Reduction	1,052,495.00
Workforce Development Program	145,551.00
State Board of Education/ Capital Outlay Bond Indebtness Bonds (Debt Service)	55,973.47
Food Service Supplement	11,818.00
Miscellaneous	620,859.94
Total	<u>\$ 4,190,101.41</u>

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

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

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>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.454	\$ 3,262,758.41
Basic Discretionary Local Effort	0.748	447,477.68
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	897,348.30
Total	<u>7.702</u>	<u>\$ 4,607,584.39</u>

M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 252,308.86	\$
Capital Projects:		
Local Capital Improvement		252,308.86
Total	<u>\$ 252,308.86</u>	<u>\$ 252,308.86</u>

The transfer was to reimburse the General Fund for maintenance costs.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 68,787.17	\$ 35,000.00	\$ 37,805.57	\$ 2,805.57
Federal Through State and Local	109,120.00	145,000.00	148,234.34	3,234.34
State	3,967,305.00	3,875,291.50	3,886,156.08	10,864.58
Local:				
Property Taxes	3,541,862.00	3,541,862.00	3,603,516.56	61,654.56
Miscellaneous	400,513.00	361,813.50	389,281.14	27,467.64
Total Local Revenues	<u>3,942,375.00</u>	<u>3,903,675.50</u>	<u>3,992,797.70</u>	<u>89,122.20</u>
Total Revenues	<u>8,087,587.17</u>	<u>7,958,967.00</u>	<u>8,064,993.69</u>	<u>106,026.69</u>
Expenditures				
Current - Education:				
Instruction	4,323,555.00	4,322,600.01	4,419,109.47	(96,509.46)
Pupil Personnel Services	167,838.00	171,730.34	319,171.91	(147,441.57)
Instructional Media Services	89,690.00	83,298.30	97,679.44	(14,381.14)
Instruction and Curriculum Development Services	41,397.00	41,397.00	65,340.74	(23,943.74)
Instructional Staff Training Services		35.00	15,400.00	(15,365.00)
Instruction Related Technology	260,317.00	176,445.75	149,913.80	26,531.95
School Board	304,696.00	304,696.00	304,455.85	240.15
General Administration	417,635.00	417,635.00	339,442.22	78,192.78
School Administration	524,899.00	524,899.00	736,445.72	(211,546.72)
Fiscal Services	272,112.00	272,112.00	242,603.14	29,508.86
Central Services	5,000.00	5,000.00	11,136.00	(6,136.00)
Pupil Transportation Services	714,706.00	714,706.00	746,493.60	(31,787.60)
Operation of Plant	988,103.00	988,103.00	1,024,159.07	(36,056.07)
Maintenance of Plant	200,000.00	196,615.59	250,676.30	(54,060.71)
Administrative Technology Services	97,639.00	89,770.61	174,820.55	(85,049.94)
Fixed Capital Outlay:				
Facilities Acquisition and Construction		3,368.01	3,368.01	
Other Capital Outlay		99,102.73	99,102.73	
Total Expenditures	<u>8,407,587.00</u>	<u>8,411,514.34</u>	<u>8,999,318.55</u>	<u>(587,804.21)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(319,999.83)</u>	<u>(452,547.34)</u>	<u>(934,324.86)</u>	<u>(481,777.52)</u>
Other Financing Sources				
Transfers In	200,000.00	200,000.00	252,308.86	52,308.86
Extraordinary Item - Insurance Loss Recoveries			<u>714,036.97</u>	<u>714,036.97</u>
Net Change in Fund Balances	<u>(119,999.83)</u>	<u>(252,547.34)</u>	<u>32,020.97</u>	<u>284,568.31</u>
Fund Balances, Beginning	<u>842,511.00</u>	<u>1,152,099.91</u>	<u>1,152,099.91</u>	
Fund Balances, Ending	<u>\$ 722,511.17</u>	<u>\$ 899,552.57</u>	<u>\$ 1,184,120.88</u>	<u>\$ 284,568.31</u>

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,436,618.82	\$ 1,384,290.56 4,569.16	\$ 1,303,801.47	\$ (80,489.09) (4,569.16)	\$ 860,198.18	\$ 860,198.18	\$ 624,534.65	\$ (235,663.53)
1,436,618.82	1,388,859.72	1,303,801.47	(85,058.25)	860,198.18	860,198.18	624,534.65	(235,663.53)
705,440.01	839,475.09	755,641.76	83,833.33	325,366.99	188,760.58	157,855.99	30,904.59
54,531.93	110,468.06	45,945.35	64,522.71		2,250.00	2,250.00	
					1,475.00	1,475.00	
228,306.00	241,698.97	175,533.12	66,165.85	125,258.00	125,258.00	51,970.47	73,287.53
219,864.55	237,885.58	119,623.22	118,262.36	303,301.45	325,342.73	250,530.23	74,812.50
					29,086.58	29,086.58	
156,523.33	184,473.63	153,788.00	30,685.63	80,271.67	63,530.40	36,871.56	26,658.84
				20,000.00	24,000.00		24,000.00
20,551.00	22,265.12	4,919.79	17,345.33		3,712.12	3,712.12	
51,402.00	51,402.00	28,360.52	23,041.48	6,000.00	6,000.00		6,000.00
					29,215.20	29,215.20	
	19,989.71	19,989.71			61,567.50	61,567.50	
1,436,618.82	1,707,658.16	1,303,801.47	403,856.69	860,198.11	860,198.11	624,534.65	235,663.46
	(318,798.44)		318,798.44	0.07	0.07		(0.07)
	(318,798.44)		318,798.44	0.07	0.07		(0.07)
\$ 0.00	\$ (318,798.44)	\$ 0.00	\$ 318,798.44	\$ 0.07	\$ 0.07	\$ 0.00	\$ (0.07)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2007	\$ 0	\$ 6,062,490	\$ 6,062,490	0%	\$ 4,859,518	124.75%
October 1, 2010	0	693,107	693,107	0%	3,306,690	20.96%
October 1, 2012	0	507,482	507,482	0%	2,966,564	17.11%

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

**JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 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 October 1, 2012, unfunded actuarial accrued liability of \$507,482 was lower than the October 1, 2010, liability of \$693,107, as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Population Changes: The number of retirees currently receiving postemployment health benefits through the District core plan decreased from 25 in the previous valuation to 17 this year. At the same time, the number of active employees eligible for future postemployment benefits increased from 114 to 121. Combined population changes increased cost and liability.
- Initial Cost of Coverage: The total cost of coverage increased from \$496 per employee per month (as expected from the October 1, 2010 valuation) to \$516 per employee per month for year beginning October 1, 2012, which is lower than the projected \$549 per employee per month. This change decreased cost and liability.
- Medical Trend Assumption: Revisions were made in the assumed trend of medical and prescription cost increases. In our previous valuation, the trends for costs and premiums were assumed to be 8 percent for the year beginning January 1, 2013, with rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. The trends for costs and premiums were revised to 5 percent higher than the previous year then decreased by 0.5 percent each year thereafter to the ultimate value of 5 percent. This change had a modest effect on the cost and liability.
- Reflecting Provisions of the Affordable Care Act: The Plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans as soon as that provision becomes effective. Absent any plan changes, this will result in a 0.39 percent increase on the cost of coverage for the plan year 2035, in addition to a 5 percent medical inflation assumed for that year for a total increase of 5.39 percent. After 2035, an estimated 0.39 percent increase in trend is assumed for all subsequent years, increasing cost and liability.
- Discount Rate Assumption: A lower discount rate, from 3.75 percent to 3.25 percent, was used in valuing future cash flows, increasing cost and liability.
- Demographic Assumptions: Certain demographic assumptions were revised to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JEFFERSON 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	\$ 152,337.61
National School Lunch Program	10.555 (2)(A)	300	416,583.48
Total United States Department of Agriculture			568,921.09
United States Department of Education:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	435,009.93
Special Education - Preschool Grants	84.173	266, 267	1,960.63
Total Special Education Cluster			436,970.56
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	74,739.65
ARRA - School Improvement Grants, Recovery Act	84.388	126	446,661.23
Total School Improvement Grants Cluster			521,400.88
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 192, 193, 194, 195, 590	43,189.74
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	591,385.25
Career and Technical Education - Basic Grants to States	84.048	151	18,165.93
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	18,927.27
Improving Teacher Quality State Grants	84.367	224	120,423.07
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	RL111, RG311, RS611, and RD211	165,046.94
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (2)(B)(3)	None	12,826.48
Total United States Department of Education			1,928,336.12
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	37,805.57
Total Expenditures of Federal Awards			\$ 2,535,062.78

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

(2) Noncash Assistance:

(A) National School Lunch Program - Includes \$35,184 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(B) State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Includes \$6,917.69 of donated equipment.

(3) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Expenditures for CFDA No. 84.395 total \$177,873.42.



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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson 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 March 27, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the Jefferson 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1 and 2, that we consider to be significant deficiencies.

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 in 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
March 27, 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 EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Jefferson County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 2 and 3. Our opinion on each major Federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 2, and 3 that we consider to be significant deficiencies.

Management's Response

Management's response to the findings identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

March 27, 2014

**JEFFERSON 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?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.377 and 84.388	School Improvement Grants Cluster
84.395	ARRA - State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

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

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 1: Financial Reporting

Our review of the District's 2012-13 fiscal year annual financial report, as submitted to the Florida Department of Education (FDOE) and presented for audit, disclosed that financial reporting procedures could be improved. For example:

- Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires an analysis to determine the major funds that require separate columnar presentation. The District is required to report a fund as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications. The District understated due from other agencies and revenue by \$81,482 each in the Capital Projects – Other (CPO) Fund. These reporting errors occurred, in part, because District personnel misunderstood guidance from the FDOE requiring revenue recognition of State capital outlay appropriations when the FDOE issues encumbrance authorizations. Upon recognition of these amounts, the total assets of the CPO Fund exceeded 10 percent of the total governmental fund assets. Separately reporting major funds allows financial statement users to readily identify the District's most significant funds and their related balances and transactions, and ensures compliance with GAAP.
- For the Special Revenue – Federal Economic Stimulus Fund, the District over-reported cash and due to other agencies by \$60,000 each. These reporting errors occurred because the District did not timely reconcile FDOE records to the District's accounting records, as discussed in Federal Awards Finding No. 1.

Reporting errors such as those noted above may cause financial statement users to misunderstand the District's financial and Federal activities and incorrectly assess the District's financial position. We extended our audit procedures to determine the adjustments necessary to ensure the District's financial statements were materially correct, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

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

Finding No. 2: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded

cash transactions or bank errors, and provide for the efficient and economic management of cash resources. At June 30, 2013, the District reported cash and cash equivalents totaling \$2.1 million, including \$1,955,839 in cash.

The District maintained 12 separate bank accounts and, for the 2012-13 fiscal year, the Chief Financial Officer (CFO) was responsible for performing 144 bank account reconciliations for the 12 accounts. Given the size of the District, this is a significant number of reconciliations and the reason for not consolidating certain bank cash accounts was not readily apparent. Further, as of December 12, 2013, the June 2013 bank statements had not been reconciled to the general ledger.

We extended our audit procedures and determined amounts reported on the financial statements for cash and cash equivalents were materially correct and properly classified. Without timely bank account reconciliations to the general ledger, there is an increased risk that errors or fraud could occur and not be promptly detected. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

Recommendation: **The District should consider consolidating certain bank cash accounts to reduce the number of monthly account reconciliations and enhance its procedures to ensure that bank account reconciliations are properly and timely completed.**

ADDITIONAL MATTERS

Finding No. 3: Budgetary Controls

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

Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted by function if the Board approves the expenditure and amends the budget within timelines established by the policies. Pursuant to this statute, the Board adopted Board Policy 6.106, allowing expenditures to exceed the amount budgeted within a fund at the functional level, provided the Board approves such expenditures and amends the budget within 35 days of the date in which the District incurred the expenditures. Further, State Board of Education Rule 6A-1.006(3), Florida Administrative Code, and Board policy prohibit Board approval of budget amendments after September 11, 2013, the due date of the annual financial report for the 2012-13 fiscal year.

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

- The General Fund's budgeted July 1, 2012, fund balance was \$842,511, in the original budget adopted by the Board, although the Board-approved June 30, 2012, actual beginning balance as of July 1, 2012, was \$1,152,100, or \$309,589 more than the budgeted July 1, 2012, fund balance. While the Board eventually approved a budget amendment in August 2013 to increase the General Fund's budgeted beginning fund balance, using reasonable projections of beginning fund balance budget amounts may help the District in monitoring its activities.
- In August 2013, after Board approval of the final budget amounts included in the annual financial report, the District had budgetary overexpenditures in 11 General Fund functional expenditure categories totaling

\$722,278. Without sufficient budgetary monitoring controls, the risk increases for expenditures to exceed available resources.

A similar finding was noted in our report No. 2013-154.

Recommendation: The District should enhance its budgetary process to ensure that budgeted beginning fund balances are reasonable and timely amended, and expenditures are limited to budgeted amounts as required by State law and rules.

Finding No. 4: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

For the 2012-13 fiscal year, the District posted the tentative budget to its Web site; however, as of July 29, 2013, the proposed and official budgets were not posted to the Web site. As of January 2014, the District had not posted its 2013-14 fiscal year tentative, proposed, or official budgets to its Web site. Subsequent to our inquiry in February 2014, the District posted the 2013-14 fiscal year proposed and official budgets. Providing for the required budgetary transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should enhance procedures to ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding No. 5: Capital Assets

Chapter 274, Florida Statutes, and Florida Department of Financial Services Rule 69I-73, Florida Administrative Code, require that the District maintain adequate records of tangible personal property (i.e., furniture, fixtures, and equipment and motor vehicles) in its custody and that the property be inventoried annually, compared to the property records, and all discrepancies reconciled. Any property items found during the inventory must be included in the inventory records, and items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. In addition, based on the results of the investigation, the District is required to file a report with the appropriate law enforcement agency if items are not located.

The District reported capital assets with costs of approximately \$28.4 million, net of accumulated depreciation, at June 30, 2013. To determine balances reported for these assets, District personnel generally added the 2012-13 fiscal year capital outlay expenditures to the balances reported on the financial statements at June 30, 2012. While this procedure may fairly present financial statement balances, it is not a substitute for establishing and maintaining an adequate record system to account for the District's individual capital assets.

Our review of subsidiary property records maintained for the District's various capital assets, such as buildings and tangible personal property, and related depreciation expenses disclosed unreconciled differences at June 30, 2013, between asset balances in the subsidiary property records and amounts reported in the financial statements for certain capital asset accounts. We extended our audit procedures and identified certain causes for these differences, as follows:

- District personnel did not timely identify and record all capital outlay expenditures to the building and motor vehicle subsidiary records. As a result, the subsidiary records understated building and motor vehicle values by \$1 million and \$300,000, respectively.
- As the Board approved furniture, fixtures, and equipment (FFE) for disposal, District personnel were responsible for deleting FFE information from the subsidiary property records; however, because certain FFE information was not deleted from the property records for Board-approved disposed items, the property records overstated FFE by \$1.4 million and depreciation of FFE by \$1.5 million.
- District personnel did not always update accumulated depreciation account balances for recorded depreciation expense of buildings and improvements other than buildings. As a result, the subsidiary records in the accumulated depreciation accounts for buildings and improvements other than buildings were understated by \$4.5 million and \$500,000, respectively.
- While District records evidenced that the District performed a physical tangible personal property inventory for the 2012-13 fiscal year, District personnel did not perform a thorough investigation to locate missing property, make adjustments to the subsidiary records for unlocated items, or file reports with the appropriate law enforcement agency for unlocated items.

District personnel indicated that differences between the capital asset subsidiary records and the financial statements, and unlocated items, would be investigated and adjustments made to correct the detailed subsidiary records. Without appropriately maintained capital asset subsidiary records and properly performed tangible personal property inventory procedures, the District's ability to properly account for these assets is limited.

Recommendation: The District should improve procedures to ensure the adequacy and accuracy of capital asset subsidiary records. Such procedures should ensure that appropriate records are maintained to demonstrate the proper disposition of capital assets and related depreciation expenses. In addition, the District should ensure that results of physical inventories are reconciled to the property records, discrepancies are thoroughly investigated and resolved, and reports of missing tangible personal property are filed with the appropriate law enforcement agencies.

Finding No. 6: State Capital Outlay Appropriations

The State allocates Public Education Capital Outlay (PECO) and other capital outlay appropriations to the District on an annual basis. The District's annual allocations consist of specific State-defined project categories and appropriation amounts, each of which has its own restrictions governing use. To monitor and account for these appropriations, the FDOE maintains the Office of Education Facilities (OEF) - 442 reporting system for Districts to identify and report capital outlay appropriations and related uses. Section 216.301(2), Florida Statutes, provides that the unexpended balance of any appropriation for fixed capital outlay for an educational facility that is not contracted, or committed to be expended, prior to February 1 of the third fiscal year, shall revert on February 1 of such year to the fund from which it was appropriated. Consequently, the 2007-08, 2008-09, 2009-10, and 2010-11 fiscal year capital outlay appropriations for educational facilities were subject to reversion February 1, 2010, February 1, 2011, February 1, 2012, and February 1, 2013, respectively, if the Board had not approved a contract, received bids, issued notice of intent to award a contract, or issued a purchase order to accomplish the work with in-house staff.

In our report No. 2013-154, we noted \$274,000 in unencumbered cash related to the 2007-08 and 2008-09 fiscal year PECO appropriations that, at June 30, 2012, was on hand and not committed under terms of a binding contract or otherwise committed to be expended. In addition, we noted \$143,031 in unencumbered cash related to the 2008-09, 2009-10, and 2010-11 fiscal year Classrooms First capital outlay appropriations that, at June 30, 2013, was on hand and not committed under terms of a binding contract or otherwise committed to be expended. The unspent and

unreverted resources occurred, in part, because District records did not separately account for specific PECO appropriations and certain State capital outlay resources.

As of February 2014, the District had entered into construction contracts and fully expended proceeds from the PECO and Classrooms First appropriations mentioned above for various construction activities. However, District records did not evidence a determination by the FDOE or other authority to permit use of these moneys beyond the statutory reversion dates. Without such authority, these expenditures, totaling \$417,031, represent questioned costs subject to reversion. A similar finding was noted in our report No. 2013-154.

Recommendation: The District should document compliance with Section 216.301(2), Florida Statutes, to the FDOE regarding use of the above-mentioned PECO and Classrooms First capital outlay appropriations totaling \$417,031 or revert the \$417,031 to the FDOE.

Finding No. 7: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; and up to \$100 per unweighted full time equivalent (UFTE) student for the cost of property and casualty insurance premiums. The District accounts for the ad valorem tax levy proceeds in the Capital Projects - Local Capital Improvement (LCI) Fund.

During the 2012-13 fiscal year, the District reported LCI Fund expenditures of \$440,514 and transfers to the General Fund of \$252,309. While our tests disclosed that ad valorem tax levy proceeds were generally used as required, we noted that the District spent \$7,557 more than the \$100 per UFTE limit on property and casualty insurance premiums and \$1,624 to pay for workers' compensation insurance premiums, which is not an allowable use of ad valorem tax levy proceeds. These payments, totaling \$9,181, represent questioned costs of ad valorem tax levy proceeds.

Without adequate controls to ensure that capital outlay tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions. A similar finding was noted in our report No. 2013-154.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. In addition, the District should document to the FDOE the allowability of the \$9,181 of questioned costs or restore this amount to the LCI Fund.

Finding No. 8: Journal Entries

The fiscal specialist and the CFO were responsible for recording journal entries to adjust the account balances and transactions in the accounting records, and the CFO was responsible for review and approval of the journal entries by the fiscal specialist. Our test of 25 journal entries for the 2012-13 fiscal year disclosed that the fiscal assistant recorded each of the journal entries and documented the purpose for 17 of the journal entries; however, District records did not document the purpose for the remaining 8 entries tested or independent review and approval of any of the entries tested.

We determined that the 8 undocumented entries were primarily to reclassify revenues and expenditures between funds, and to record revenue received, and did not result any errors or fraud; however, our procedures cannot

substitute to management's responsibility to implement adequate controls over journal entries. Absent such controls, there is an increased risk that errors or fraud could occur without timely detection. A similar finding was noted in our report No. 2013-154.

Recommendation: The District should enhance its procedures to ensure that journal entries are appropriately documented, and independently reviewed and approved.

Finding No. 9: Compensation and Salary Schedules

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

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

While the salary schedule and union contract provided for certain types of differentiated pay, without a Board-established documented process for identifying which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. District personnel indicated that negotiation is still ongoing with the union to develop a salary schedule and union contract for the 2013-14 fiscal year to comply with the statutory differentiated pay requirements. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

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

Finding No. 10: Bus Drivers

Section 1012.465(2), Florida Statutes, provides that noninstructional personnel, such as bus drivers, who have direct contact with students must undergo required background screenings at least every five years. District personnel indicated that they periodically perform background screenings of school bus drivers by submitting fingerprints to the Florida Department of Law Enforcement.

The District employed 20 bus drivers during the 2012-13 fiscal year, and our review of the background screenings of 12 bus drivers disclosed 3 bus drivers who had not been rescreened within the last five years. According to District personnel, the District was not up to date on rescreening bus drivers. Absent the required background screenings of bus drivers, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should enhance its procedures to ensure that required background screenings of bus drivers are performed.

Finding No. 11: Workforce Development Funds

Chapter 2012-118, Laws of Florida, Specific Appropriation 106, provided that workforce development program funds are not to be used to support K-12 programs. The Legislature appropriated State funding totaling \$145,551 to the District for the 2012-13 fiscal year for workforce development program funds. This revenue, when combined with \$160,919 of unspent workforce revenues designated to the adult education school from prior fiscal years, made available \$306,470 for expenditure in the adult education program during the 2012-13 fiscal year. The adult education program spent or encumbered only \$114,730, or 37 percent of that available, by the end of the 2012-13 fiscal year, and the unencumbered balance carried forward into the 2013-14 fiscal year was \$191,740.

District records indicate that workforce revenues have exceeded expenditures over the last three fiscal years, with an average accumulation of approximately \$60,000 per year, and the Board had not, of record, adopted a formal plan establishing the goals and priorities for the use of the accumulated workforce development funds. Although the workforce development moneys are restricted for adult education purposes and not subject to reversion, carrying forward large amounts of such money into subsequent years does not appear to be consistent with the legislative intent for annually funding the adult education program and does not appear to benefit the persons or programs for which the funds were generated.

Recommendation: The Board should develop and establish a spending plan for the workforce education program moneys to serve as a guide to ensure that these resources will have a direct, positive impact on programs as intended by the Legislature.

Finding No. 12: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE instructional hours reporting procedures.

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

For the 2012-13 fiscal year, the District reported to the FDOE 11,419 instructional contact hours for 43 students enrolled in 355 classes. Our review of 4,709 hours reported for 15 students enrolled in 139 adult general education classes disclosed that attendance records could not be provided to support 4,043 of the reported hours. District personnel used manual attendance sign-in sheets to input student attendance into the system; however, due to turnover in personnel and recent conversion to a new student system, the District did not properly maintain attendance records or record attendance into the system. Given the number of errors, the full extent of the unsupported class hours reported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

Recommendation: The District should enhance its controls to ensure that supporting documentation for reported instructional contact hours is maintained. The District should also determine the extent of reported adult general education hours that are unsupported by attendance records and contact the FDOE for proper resolution.

Finding No. 13: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned job responsibilities. For example, access privileges should typically be configured to enforce a separation of IT and application end-user duties whereby only the responsible end-users can originate or correct transactions and initiate changes to data files and IT employees are restricted from performing end-user functions. Periodic reviews of IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their job responsibilities and that assigned privileges enforce an appropriate separation of incompatible responsibilities.

District procedures did not provide for the periodic review of employee access privileges. We reviewed access privileges to the finance and human resources applications and identified employees who had inappropriate and unnecessary access privileges. Specifically, two finance department employees had the ability to add or update vendor information, purchase orders, and invoice information. In addition, the payroll specialist and an accounting clerk had the ability to update files within the payroll system to add employment contracts to established employees, make changes to employee rates of pay, and enter termination information.

Although the District had certain compensating controls (e.g., CFO regularly monitored expenditures and reported financial information to the Board on a monthly basis), the existence of these inappropriate and unnecessary access privileges indicated a need for a review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should develop procedures for the review of access privileges and remove inappropriate or unnecessary access privileges detected.

Finding No. 14: Information Technology - Disaster Recovery Plan

An important element of an effective internal control system over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel, the critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District participates in the Panhandle Area Educational Consortium and obtains certain IT services, such as financial, payroll, and other critical applications, from the Northwest Regional Data Center (NWRDC). The NWRDC developed an IT disaster recovery plan whereby member districts agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupts critical operations. On July 25, 2013, the District

successfully processed its payroll at another school district to test whether the District's process could continue after a critical operation interruption. However, the District had not established a written comprehensive disaster recovery plan. The District could use the plan to assign employee responsibilities for recovery activities and identify specific District processes and procedures to be followed when NWRDC is inoperable or other events interrupt District operations to affect the recovery and restoration of financial, payroll, and other critical applications.

Without a detailed plan for the District's disaster recovery, there is an increased risk that the District may be unable to continue critical operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

Recommendation: The District should develop a written comprehensive disaster recovery plan to assign employee responsibilities and specific District processes and procedures to be followed when NWRDC is inoperable or other events interrupt District operations to affect the recovery and restoration of financial, payroll, and other critical applications. Once established, the disaster recovery plan should be tested annually.

Finding No. 15: Information Technology – Written Policies and Procedures

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

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

The lack of written policies and procedures resulted from personnel turnover in key positions. District personnel indicated that they had begun to develop policies and procedures to be presented for Board approval during the 2013-14 fiscal year. Without written policies and procedures, the risk is increased that District IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

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. 16: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program apprises new employees of, and reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources

entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems.

The District did not have a comprehensive IT security awareness training program to facilitate the ongoing education and training of applicable employees on security responsibilities, including acceptable and prohibited methods of storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of confidential information. A comprehensive security awareness training program would decrease the risk that the District's IT resources may be unintentionally compromised by employees while performing their assigned duties. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

Recommendation: The District should develop a comprehensive IT security awareness training program to ensure that applicable employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

Finding No. 17: Information Technology – Data Loss Prevention

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

Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was communicated to management in connection with our report No. 2013-154.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388-ARRA); and ARRA - State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395-ARRA)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Reporting. Expenditures of grant funds are reported through the FDOE On-line Disbursement Reporting Application in accordance with reporting and administrative requirements set forth in the FDOE publication titled, *Project Application and Amendment Procedures for Federal and State Programs*. Section C of this publication provides instructions for requesting advances of Federal cash, reporting expenditures of grant funds, and preparing and submitting Cash Advance and Reporting of Disbursements System (CARDS) Reconciliation, a report used to reconcile the Federal cash balance shown on FDOE's CARDS Report to the District's accounting records. When a grant is closed, the total expenditures for that grant are recorded on FDOE's form FA-399 – *Project Summary and*

Disbursement Report, which is to be signed by the finance officer or authorized representative, dated, and submitted to the FDOE. The FDOE required that the District complete a reconciliation of all cash advances and disbursements for the 2012-13 fiscal year and submit the reconciliation to the FDOE by December 1, 2013.

The Race-to-the-Top program project's final expenditure report was due to the FDOE on August 20, 2012; however, it was not completed until November 16, 2012, 88 days after the due date. Also, the District had not prepared or filed the CARDS Reconciliation with FDOE until January 10, 2014, 40 days after the due date. While we were able to materially reconcile the Federal expenditures for grants received from the FDOE with the Federal cash balance shown on the FDOE's CARDS Report, our procedures cannot substitute for management's responsibility to implement adequate controls. The failure to periodically reconcile FDOE cash advance balances and program expenditures to amounts per the District records limits the District's ability to timely detect and correct errors in its accounting records or Federal financial reports. Similar findings were noted in our report Nos. 2012-168 and 2013-154.

Recommendation: The District should develop controls to improve its monitoring and reporting of Federal cash balances and program expenditures to ensure that amounts reported to the FDOE agree with or reconcile to the District's accounting records. Further, the District should complete all final expenditure reports and the CARDS reconciliation by the due dates.

District Contact Person and Title: Robert Lloyd, Chief Financial Officer

Federal Awards Finding No. 2:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: School Improvement Grants, Recovery Act (CFDA No. 84.388-ARRA) and ARRA - State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395-ARRA)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Reporting. Expenditures of American Recovery and Reinvestment Act (ARRA) grant funds are reported through the FDOE On-Line Grant Reporting System in accordance with reporting and administrative requirements set forth in the FDOE publication titled, *American Recovery and Reinvestment Act Budget Amendment and Quarterly Reporting Instructions*. This publication provides instructions for reporting expenditures of grant funds, submitting or revising budget data, and reporting ARRA-funded jobs.

District records indicated that, for the 2012-13 fiscal year, expenditures, totaling \$446,661.23 and \$177,873.42, were recorded in the District's general ledger and reported in expenditure reports to the FDOE for the School Improvement and the Race-to-the-Top programs, respectively. However, the District did not report these expenditures to the FDOE through the On-Line Grant Reporting System in any of the District's quarterly reports because new District personnel were unaware of the reporting requirements. As Federal Web sites provide public access of ARRA Federal spending and depend on the reliability of financial reporting, it is essential that the District timely and accurately report Federal ARRA expenditure information.

Recommendation: The District should enhance its procedures to ensure timely and accurate reporting of ARRA expenditures to the FDOE.

District Contact Person and Title: Robert Lloyd, Chief Financial Officer

Federal Awards Finding No. 3:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: \$7,379**

Eligibility – Title I Allocations. Title 34, Section 200.78, Code of Federal Regulations, requires the District to allocate Title I schoolwide program funds to schools identified as eligible and selected to participate, in rank order, on the basis of the total number of children from low income families in each school. The District is not required to allocate the same per pupil amount to each participating school attendance area or school provided that it allocates higher per pupil amounts to areas or schools with higher concentrations of poverty than to areas or schools with lower concentrations of poverty.

As part of our audit tests, we requested that the District provide documentation evidencing that the budget was properly allocated to the respective schools as required. The Title I program director calculated the allocations in January 2013 and May 2013 on spreadsheets, assigning higher per pupil allocation (PPA) amounts for the school with the highest poverty percentage as required. The District entered budget amounts into the accounting records that provided that the school with the highest poverty percentage (Jefferson County Elementary School) received higher per pupil allocations than the school with the lowest poverty percentage (Jefferson County Middle High School); however, actual expenditures at Jefferson County Middle High School exceeded the available budget allocated to the school. As a result, actual expenditures per student at the middle high school were higher than the available budget at the elementary school, indicating that \$7,379 more resources were expended at the school with a lower percentage of low income students than expended at the school with a higher percentage of low income students, contrary to Federal regulations.

The budget discrepancies and over-expenditure by the middle high school were not detected because budget to actual expenditure reports sorted by school are not routinely generated and considered. As such, the District did not allocate resources to the schools in rank order of need, and amounts totaling \$7,379 represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure that Title I schoolwide program resources are properly allocated to schools and to provide for periodic comparisons of actual school expenditures to budgeted expenditures to prevent and timely detect over-expenditures. The District should also document to the grantor (FDOE) the allowability of the \$7,379 of questioned costs and how Title I schoolwide program resources were used at the schools with the greatest needs, or restore this amount to the Title I program.

District Contact Person and Title: Tammy McGriff, Federal Programs Director

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2013-154. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-154, Finding No. 1	Audit Report No. 2012-168, Finding No. 1
2	Audit Report No. 2013-154, Finding No. 2	Audit Report No. 2012-168, Finding No. 2
3	Audit Report No. 2013-154, Finding No. 4	NA
6	Audit Report No. 2013-154, Finding No. 5	NA
7	Audit Report No. 2013-154, Finding No. 6	NA
8	Audit Report No. 2013-154, Finding No. 3	NA
9	Audit Report No. 2013-154, Finding No. 7	Audit Report No. 2012-168, Finding No. 4
12	Audit Report No. 2013-154, Finding No. 8	Audit Report No. 2012-168, Finding No. 6
14	Audit Report No. 2013-154, Finding No. 10	Audit Report No. 2012-168, Finding No. 9
15	Audit Report No. 2013-154, Finding No. 11	Audit Report No. 2012-168, Finding No. 8
16	Audit Report No. 2013-154, Finding No. 12	Audit Report No. 2012-168, Finding No. 11
17	Audit Report No. 2013-154, Finding No. 13	NA
Federal Awards Finding No. 1	Audit Report No. 2013-154, Federal Awards Finding No. 1	Audit Report No. 2012-168, Federal Awards Finding No. 6

NA – Not Applicable (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

**JEFFERSON 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
2011-154 (1)	Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392) - Matching, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the District met the maintenance of effort (MOE) requirements, resulting in questioned costs of \$284,651.47.	Corrected.	The District took corrective action. The grantor sustained the finding and repayment of questioned costs has been made.
2011-154 (2)	Title I Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA Nos. 84.027 and 84.391) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Required documentation to support salary and benefit costs for 13 employees was not maintained.	Corrected.	
2011-154 (3) 2012-168 (6) 2013-154 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397); State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants; and Education Jobs Fund (CFDA No. 84.410) - Reporting	Controls over monitoring of and reporting of Federal cash balances and expenditures could be enhanced to ensure that amounts reported to the Florida Department of Education are timely reconciled to the District's accounting records.	Not Corrected.	A similar finding is reported in the 2012-13 fiscal year.
2012-168 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Special Tests and Provisions - Highly Qualified Teachers	District procedures did not ensure that all teachers hired to teach core academic subjects in Title I schoolwide schools were highly qualified, resulting in \$76,587 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (2)	Special Education – Grants to States (CFDA No. 84.027) and Special Education – Grants to States, Recovery Act (CFDA No. 84.391) - Matching, Level of Effort, and Earmarking - Coordinated Early Intervention Services	The District did not adequately document charges to the Special Education program for coordinated early intervention services (CEIS), resulting in \$67,780 of questioned costs.	Partially Corrected.	The District is no longer required to use this earmark on CEIS activities; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles	District records did not evidence that District personnel verified that certain contracted services were provided to program eligible students before payments were made, resulting in \$56,606 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking – Maintenance of Effort	District records did not evidence that the District met the maintenance of effort requirement for the Title I program.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (5)	Special Education Cluster (CFDA Nos. 84.027 and 84.391) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Required documentation to support personnel charges totaling \$25,417 for the Special Education program was not maintained, contrary to Federal regulations.	Corrected.	
2013-154 (2)	Special Education Cluster (CFDA Nos. 84.027, 84.173 and 84.392) - Matching, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the District met the maintenance of effort requirement for the Special Education program, resulting in \$10,370 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2013-154 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Required documentation to support personnel charges of the Special Education Program was not always maintained, contrary to Federal regulations.	Corrected.	

EXHIBIT A
MANAGEMENT'S RESPONSE

AL COOKSEY
Superintendent of Schools
Phone: 850-342-0100
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Jefferson County School Board

575 South Water Street
MONTICELLO, FLORIDA 32344



March 27, 2014

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

To Whom It May Concern:

Please find enclosed the Jefferson County School District's audit responses for the year ending June 30, 2013.

Please feel free to contact our offices if you have any remaining needs which our staff may provide, or any further questions and/or concerns regarding the audit.

Respectfully,

Al Cooksey
Superintendent of Schools

DL

Enclosure: Audit Responses

BOARD MEMBERS

DISTRICT 1
PHIL BARKER

DISTRICT 2
SANDRA SAUNDERS

DISTRICT 3
SHIRLEY A. WASHINGTON

DISTRICT 4
LARRY HALSEY

DISTRICT 5
CHARLES BOLAND

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND RECOMMENDATIONS
JEFFERSON COUNTY SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Finding No. 1: Financial Reporting

The District encumbered \$81,482 for capital projects funded through the Lottery's Classrooms First - Flow Through initiative but failed to draw the funds down. These funds were omitted from the District's year-end financial statements which was an oversight by the CFO.

Finding No. 2: Bank Account Reconciliations

The Bank accounts in the District's ledgers have not been reconciled since the financial year 2010. To complete this task would be very time consuming and would take valuable time away from reporting the current year's financial transactions. Thus the District took the view that for the 2012-13 fiscal year all bank accounts were reconciled through spreadsheets and the activities on those bank accounts agreed with the ledgers.

The District will concentrate during the following year (2013-14) on the correction of the ledgers.

First, the ledgers have reflected the operation of seven (7) bank accounts namely- Co & DS Fund: \$1.5Million; Capital Outlay Fund, Federal Contract Program Fund, School Food Service Fund, General Fund, Payroll account and a PEBA account. The District holds two accounts that have no transactions – an LCI-A Building Renovation fund and a Classrooms First fund. Finally, for economies of operation on the antiquated computerized system in operation the District also operates a Revolving fund which operates as a payment fund for all the other funds and allows the District to economize on its use of checks. Thus transfers are made into this fund to make payments rather than checks being drawn on the spending fund and thus increasing the numbers of transactions that need to be accounted for.

The District is looking into opportunities to start printing its own checks and as a result eliminate its Revolving fund.

Finding No. 3: Budgetary Control

The District's approved budget was compiled by someone who left the District in September 2012. The current CFO was appointed mid-way through January 2013.

The following monthly expenditure reports were made to the School Board of Jefferson County and the votes on these reports are noted. All figures were caveated that there may be coding errors included in the reports.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Date	Expenditure Month end	% of year	General Fund % expenditure	Board Vote
February 11, 2013	12/31/12	50.00%	47%	4 – 1
March 11, 2013	1/31/13	58.34%	55.62%	4 – 1
April 8, 2013	2/28/13	66.67%	67.71%	4 – 1
May 13, 2013	3/31/13	75.00%	75.53%	3 – 2
June 24, 2013	5/31/13	91.6%	93.35%	3 – 2
August 12, 2013	6/30/2013	100.00%	105.75%	3 – 2

The financial transaction for the month ended April 30, were not reported at the regular June 10, 2013 School Board meeting as the District already had the June 24, meeting on its calendar and the District knew it could provide the updated May figures at that meeting.

In regards to the opening balance, that budget figure was approved by the Board and reported to the State, plus the *audited* adjusted balance was not made available until March of 2013. The reports were also caveated with comments that related to adjustments made to the opening balance.

Board policy allows for alterations to the final budget so that the budget equals the final expenditures reported to the State on the District's AFR. However, altering budget amounts four months after the end of the fiscal year would not limit expenditures already incurred.

Finding No. 4: Budget Transparency

The District changed its web site service provider in early August and the proposed budget that had been adopted by the School Board on 2013 was not transferred to the new web site. Nor was the final budget for the 2013-14 fiscal year approved on September 2013 Board meeting. This was an oversight on the District's behalf and was brought to our attention by the auditor.

However the full agendas were both on our web site which contained both documents plus both documents are on display in the foyer of the District office available for public inspection.

Finding No. 5: Capital Assets

We are aware that the ledgers are not accurate and we are in the process of the reclassification, updating and identification of assets to ensure that our records properly report capital items in the ownership of the School District.

Finding No. 6: State Capital Outlay Appropriations

Once this finding had been brought to the new administration's attention in 2013, a plan was devised on how best to expend these funds. The plans involved meeting with architects, designs being drawn

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

up, a bidding process undertaken and the work being completed. As with any capital project that is undertaken at a school inhabited by students, the best time to undertake this work is during school holiday periods, or after school hours during the regular school term. We believe that this is how the tax payers of Florida get the best return for their dollars.

Unfortunately, the projects we undertook did not commence until after July 1, 2013, hence the comments in this finding.

Finding No. 7: Ad Valorem Taxes

We accept the finding related to the use of LCI funds with a limitation of the \$100 per UFTE limit on property and casualty insurance premiums and also that recharging workers' compensation insurance premium is not allowable.

This was an oversight and reparation of \$9,181 will be made to the LCI fund.

However as a comment on the Statute, the \$100 restriction on property and casualty insurance premiums was set in 2008 and since that date property insurance rates have risen significantly. In addition, consideration should be given to allow ad valorem tax use for federally required insurance cost on employees.

Finding No. 8: Journal Entries

The CFO reviewed all journal entries completed by the fiscal specialist from January 1, 2013 to March 13, 2013. However the fiscal specialist was out of the office on sick leave from the beginning of March 2013 until the end of May 2013. During this period of absence the CFO completed all journal entries. However at the time the fiscal specialist returned to work the cross-checking process was not picked up again.

The District has reintroduced the cross-checking process for the financial year 2013/14.

Finding No.9: Compensation and Salary Schedules

As part of the 2013 pay negotiations with the teachers union in relation to the allocation of additional monies provided by the Governor, the District proposed new pay scales that differentiated between high, average and low performing teachers, and also provided for annual steps.

These proposals were *rejected* by the Teachers union representatives.

Finding No. 10: Bus Drivers

As part of the new Superintendent's review of all staff at the Jefferson County School District all employees were terminated at the end of the fiscal year 2012/13. The re-appointment process started with school staff and then continued with all other staff during July of 2013. As a result some advanced planning functions of the Human Resources Department could not be undertaken until the reappointments had been confirmed.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

The three bus drivers fell into this category of employee. Thus background checks would only be sent out after this confirmation. This situation should not occur again and pre planning for the five year renewal of back ground checks is currently in progress.

Finding No 11: Workforce Development Funds

The District plans to use workforce program monies to establish a comprehensive training computer lab that will be used for G.E.D. testing, and which will allow students to become more familiar with the new online testing requirements. Secondly, the District plans to use these funds to offer more community activities that would allow for the use of the computer lab during appropriate hours enabling community members to use the lab for activities such as the completion of job applications or other career building activities that require computer usage. The Adult education classrooms would also receive more modern technology allowing students to have technology fully integrated into the adult education curriculum.

Finding No. 12: Adult General Education Classes

The District will develop safeguards requiring all data entry staff to have significant training on student attendance reporting in order to ensure cohesion between staff and the District Technology Department. This will ensure that proper, accurate data is being imputed. In addition, attendance sheets shall be submitted to the District office every week to ensure compliance with how attendance is being monitored in the classrooms.

Finding No. 13: Information Technology – Access Privileges

The IT Department is developing a procedure to document access privilege levels. The Finance and Human Resource programs have a form with permissions granted by the CFO that indicates authorization in regards to Finance and Human Resource aspects. These accesses will be reviewed upon change of personnel, whether by resignation or promotion.

The Student system has the ability to limit access based on profiles. An unlimited number of profiles can be developed to limit access. The profiles have been reviewed to only provide as-needed access to the variety of student information. Upon change of personnel or job duties these accesses will be reviewed by the MIS Coordinator or Director of Technical Services. A process of access verification is being developed so site administrators can request access as necessary to perform job functions.

Finding No. 14: Information Technology – Disaster Recovery Plan

A Disaster Recovery Plan has been developed and will be tested annually. The ability to access payroll and run a payroll from another District was tested in the last year.

Finding No. 15: Information Technology - Written Policies and Procedures

A draft of the District's Information Technology Policies/Procedures is currently being developed and is expected to be finalized by July 1, 2014. Many aspects of the recommended procedures are being

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

implemented. The District is transitioning to Active Directory that will allow access based on a user's rights to different network resources and should be fully functioning by August 1, 2014. Complex passwords are being implemented. Documentation of revoking privileges and password changes are being documented. A regularly scheduled training session is available every Monday at 3:00 p.m., and training is required for all new employees.

Finding No 16: Information Technology – Security Awareness Training

A security awareness program is being developed to inform employees of the important responsibilities of having access to sensitive data. This program is being implemented for all new employees before they are given an e-mail account, network or student information access. This program will be presented annually to all employees in order for them to maintain network access including e-mail. E-mails will be sent to all employees quarterly to remind them of what the District expects from them as a user of the District's systems. The security awareness program will be available on the District web site by July 1, 2014.

Finding No. 17: Information Technology – Data Loss Prevention

The District will review staff access to data annually based on job requirements and the District's need to maintain internal control. Due to the size of the District's staff, internal control cannot always be maintained, but checks and balances will be introduced to ensure the integrity of all data.

This will be written into the new procedure manual commented on in Finding #15 and updated as necessary.

Federal Awards Finding No. 1: Reporting

The District is using the CARDS system to draw down grant aided program funding from the State, but it has not completed reconciliation for many years.

The District is now completing CARDS reconciliation at the close of every month.

Comments in relation to Race-to-the-Top are connected to the previous fiscal year.

Federal Awards Finding No. 2: Reporting

The FLDOE requires school districts to report quarterly expenditures funded only from ARRA in relation to one grant 330-RL111-CL301 "Race to the Top – LEA Formula Sub-grants." This report breaks down the District's expenditures over the constituents of the grant. The grant amounts to \$243,205 over a four (4) year period.

The District self-reported this fact to the FLDOE and they were informed that they could catch up their returns in the next quarter. This was duly done.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Federal Awards Finding No. 3: Eligibility – Title 1 Allocations

The District's Chief Financial Officer will enhance procedures to ensure that Title I school-wide program resources are properly allocated to schools by:

1. Ensuring that any budget amendments in the reporting system are made in a timely fashion and are aligned with the amended budgets provided by the Title I program director;
2. Requiring and ensuring that all requests for expenditures are reviewed and approved by the Title I Program Director, and
3. Providing monthly expenditure reports to the schools so that they may monitor their expenditures.