

# PUTNAM COUNTY DISTRICT SCHOOL BOARD

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## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2014



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

|                                                                     | <u>District No.</u> |
|---------------------------------------------------------------------|---------------------|
| Nichole M. Cummings, Vice Chair to 11-18-13,<br>Chair from 11-19-13 | 1                   |
| David M. Buckles from 10-1-13 (1)                                   | 2                   |
| Terry Wright, Chair to 11-18-13                                     | 3                   |
| Kathleen Jorgensen, Vice Chair from 11-19-13                        | 4                   |
| C. L. Overturf, Jr.                                                 | 5                   |

Phyllis L. Criswell, Superintendent

Note: (1) Position remained vacant from July 1, 2013, until October 1, 2013.

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 Tracy S. Smith and the audit was supervised by Randy R. Arend, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at [dougconner@aud.state.fl.us](mailto:dougconner@aud.state.fl.us) or by telephone at (850) 412-2730.

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**PUTNAM COUNTY DISTRICT SCHOOL BOARD  
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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

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

**Summary of Report on Internal Control and Compliance**

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

**SIGNIFICANT DEFICIENCY**

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

The results of our test 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. 2:** Improvements were needed in the bank account reconciliation process.

**Finding No. 3:** Controls over electronic funds transfers could be enhanced.

**Finding No. 4:** Controls over monitoring school bus drivers could be enhanced.

**Finding No. 5:** The District needed to enhance its procedures for documenting Florida Retirement System Special Risk Class membership for School Safety and Security Department personnel.

**Finding No. 6:** The District needed to enhance controls over its health insurance plan.

**Finding No. 7:** The Board has not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

**Finding No. 8:** The District did not allocate purchasing card program rebates generated by restricted resources to appropriate District funds.

**Finding No. 9:** Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

**Finding No. 10:** Some inappropriate information technology (IT) access privileges existed.

**Finding No. 11:** The District did not timely deactivate the IT access privileges of some former employees.

**Finding No. 12:** 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, Twenty-First Century, and Teacher Incentive Fund 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. 2014-001:** The District did not initially obtain documentation evidencing that computer and presentation equipment purchases were allowable Teacher Incentive Fund program expenditures.

**Federal Awards Finding No. 2014-002:** Contracting procedures for certain services agreements paid from Federal funds needed improvement.

Federal Awards Finding No. 2014-003: The District did not maintain required documentation to support salary and benefit charges for several District employees, resulting in questioned costs of \$14,696.67 for the Title I program.

Federal Awards Finding No. 2014-004: Controls over monitoring and reporting of Federal cash balances and expenditures could be enhanced.

Federal Awards Finding No. 2014-005: The District did not maintain required documentation to support adjustments to the high school graduation rate cohort.

#### Audit Objectives and Scope

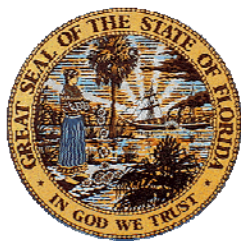
Our audit objectives were to determine whether the Putnam County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- 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. 2014-170.

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, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam County District School Board, as of and for the fiscal year ended June 30, 2014, 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 10 percent of the assets and 61 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### *Opinions*

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Putnam County District School Board as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - NORTH EAST FLORIDA EDUCATIONAL CONSORTIUM - RISK MANAGEMENT PROPERTY/CASUALTY PROGRAM, 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 District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
March 25, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management of the Putnam 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, 2014. 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 2013-14 fiscal year are as follows:

- In total, net position decreased \$8,592,650.48, which represents an 11.7 percent decrease from the 2012-13 fiscal year.
- General revenues total \$102,118,617.12, or 78.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$27,748,177.24, or 21.4 percent of all revenues.
- Expenses total \$138,459,444.84. Only \$27,748,177.24 of these expenses was offset by program specific revenues. Total expenses exceeded total revenues by \$8,592,650.48.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$7,488,946.28, or 9.8 percent of total General Fund revenues. The fund balance includes \$483,763.37 of nonspendable funds, \$746,851.55 of restricted funds, \$905,375.91 of assigned funds, and \$5,352,955.45 of unassigned funds. The General Fund total assigned and unassigned fund balances, representing the net current financial resources available for general appropriation by the Board, was \$6,258,331.36, or 8.2 percent of total General Fund revenues.
- The total debt increased by \$1,196,549.02, or 66.8 percent, mainly as a result of the District entering into a note payable for the purchase of school buses during the fiscal year.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. In addition to the basic financial statements, this report presents certain required supplementary information (RSI), which includes the MD&A, budgetary comparison schedule, schedule of funding progress for postemployment benefits, ten-year claims development information for the North East Florida Educational Consortium (NEFEC) Risk Management (Property/Casualty) Program, and notes to RSI.

#### 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 (and business-type) activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities using an economic resources measurement focus. Assets less liabilities equal net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District’s services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Business-type activities – The District is the fiscal agent for NEFEC, which provides various programs and services to 15 members including the school districts of Baker, Bradford, Columbia, Dixie, Flagler, Gilchrist, Hamilton, Lafayette, Levy, Nassau, Putnam, Suwannee, and Union counties as well as the P. K. Yonge Development Research School and the Florida School for the Deaf and the Blind. NEFEC charges fees to cover the cost of certain services it provides.
- Component units – The District presents three separate legal entities in this report. The Children’s Reading Center Charter School, Putnam Academy of Arts and Sciences, and Putnam EDGE High School are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

**Proprietary Funds:** Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise funds to account for the NEFEC programs, including the Risk Management (Property/Casualty) and Federal Economic Stimulus programs, as well as other programs and services.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses such a fund to account for the Putnam County District School Board Health Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the NEFEC Risk Management (Property/Casualty) Program Fund, the NEFEC Federal Economic Stimulus Fund, and the NEFEC Other Programs Fund. The internal service fund is shown in a separate column in the proprietary fund financial statements.

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

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

### **Notes to Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees and trend data on revenues and claims development for the NEFEC Risk Management (Property/Casualty) Program.

### 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, 2014, compared to net position as of June 30, 2013:

|                                  | Net Position, End of Year |                         |                          |                         |                         |                         |
|----------------------------------|---------------------------|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
|                                  | Governmental Activities   |                         | Business-Type Activities |                         | Total                   |                         |
|                                  | 6-30-14                   | 6-30-13                 | 6-30-14                  | 6-30-13                 | 6-30-14                 | 6-30-13                 |
| Current and Other Assets         | \$ 19,207,518.63          | \$ 18,383,291.36        | \$ 36,007,421.57         | \$ 38,298,387.40        | \$ 55,214,940.20        | \$ 56,681,678.76        |
| Capital Assets                   | 44,939,649.21             | 46,408,871.05           | 1,392,243.43             | 2,035,771.71            | 46,331,892.64           | 48,444,642.76           |
| <b>Total Assets</b>              | <b>64,147,167.84</b>      | <b>64,792,162.41</b>    | <b>37,399,665.00</b>     | <b>40,334,159.11</b>    | <b>101,546,832.84</b>   | <b>105,126,321.52</b>   |
| Long-Term Liabilities            | 22,730,993.38             | 19,903,377.79           | 11,137,432.87            | 9,820,657.46            | 33,868,426.25           | 29,724,035.25           |
| Other Liabilities                | 2,222,699.80              | 1,539,696.49            | 761,203.44               | 575,435.95              | 2,983,903.24            | 2,115,132.44            |
| <b>Total Liabilities</b>         | <b>24,953,693.18</b>      | <b>21,443,074.28</b>    | <b>11,898,636.31</b>     | <b>10,396,093.41</b>    | <b>36,852,329.49</b>    | <b>31,839,167.69</b>    |
| Net Position:                    |                           |                         |                          |                         |                         |                         |
| Net Investment in Capital Assets | 41,953,100.19             | 44,618,871.05           | 1,392,243.43             | 2,035,771.71            | 43,345,343.62           | 46,654,642.76           |
| Restricted                       | 10,238,880.51             | 10,333,106.28           |                          |                         | 10,238,880.51           | 10,333,106.28           |
| Unrestricted (Deficit)           | (12,998,506.04)           | (11,602,889.20)         | 24,108,785.26            | 27,902,293.99           | 11,110,279.22           | 16,299,404.79           |
| <b>Total Net Position</b>        | <b>\$ 39,193,474.66</b>   | <b>\$ 43,349,088.13</b> | <b>\$ 25,501,028.69</b>  | <b>\$ 29,938,065.70</b> | <b>\$ 64,694,503.35</b> | <b>\$ 73,287,153.83</b> |

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

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

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

| Operating Results for the Fiscal Year Ended                  |                         |                         |                          |                         |                         |                         |
|--------------------------------------------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
|                                                              | Governmental Activities |                         | Business-Type Activities |                         | Total                   |                         |
|                                                              | 6-30-14                 | 6-30-13                 | 6-30-14                  | 6-30-13                 | 6-30-14                 | 6-30-13                 |
| Program Revenues:                                            |                         |                         |                          |                         |                         |                         |
| Charges for Services                                         | \$ 921,205.80           | \$ 951,754.12           | \$ 20,200,580.83         | \$ 20,090,378.00        | \$ 21,121,786.63        | \$ 21,042,132.12        |
| Operating Grants and Contributions                           | 6,123,015.37            | 5,829,406.24            |                          |                         | 6,123,015.37            | 5,829,406.24            |
| Capital Grants and Contributions                             | 503,375.24              | 1,042,968.69            |                          |                         | 503,375.24              | 1,042,968.69            |
| General Revenues:                                            |                         |                         |                          |                         |                         |                         |
| Property Taxes, Levied for Operational Purposes              | 20,751,568.11           | 20,883,354.50           |                          |                         | 20,751,568.11           | 20,883,354.50           |
| Property Taxes, Levied for Capital Projects                  | 5,296,324.90            | 5,207,460.72            |                          |                         | 5,296,324.90            | 5,207,460.72            |
| Grants and Contributions Not Restricted to Specific Programs | 68,814,081.64           | 61,879,907.30           | 5,005,902.24             | 3,538,187.59            | 73,819,983.88           | 65,418,094.89           |
| Unrestricted Investment Earnings                             | 49,217.50               | 32,075.08               | 144,580.04               | 149,330.61              | 193,797.54              | 181,405.69              |
| Miscellaneous                                                | 2,056,942.69            | 1,803,384.43            |                          |                         | 2,056,942.69            | 1,803,384.43            |
| <b>Total Revenues</b>                                        | <b>104,515,731.25</b>   | <b>97,630,311.08</b>    | <b>25,351,063.11</b>     | <b>23,777,896.20</b>    | <b>129,866,794.36</b>   | <b>121,408,207.28</b>   |
| Functions/Program Expenses:                                  |                         |                         |                          |                         |                         |                         |
| Instruction                                                  | 56,001,727.70           | 53,330,592.92           |                          |                         | 56,001,727.70           | 53,330,592.92           |
| Student Personnel Services                                   | 5,220,138.79            | 4,584,972.05            |                          |                         | 5,220,138.79            | 4,584,972.05            |
| Instructional Media Services                                 | 2,853,443.24            | 2,433,012.48            |                          |                         | 2,853,443.24            | 2,433,012.48            |
| Instruction and Curriculum Development Services              | 3,226,964.61            | 3,197,677.72            |                          |                         | 3,226,964.61            | 3,197,677.72            |
| Instructional Staff Training Services                        | 1,659,986.08            | 1,087,967.60            |                          |                         | 1,659,986.08            | 1,087,967.60            |
| Instruction Related Technology                               | 856,741.81              | 82,031.36               |                          |                         | 856,741.81              | 82,031.36               |
| School Board                                                 | 548,700.58              | 544,391.66              |                          |                         | 548,700.58              | 544,391.66              |
| General Administration                                       | 1,874,190.42            | 1,875,344.82            |                          |                         | 1,874,190.42            | 1,875,344.82            |
| School Administration                                        | 6,050,262.77            | 5,773,434.46            |                          |                         | 6,050,262.77            | 5,773,434.46            |
| Facilities Acquisition and Construction                      | 576,227.92              | 302,843.06              |                          |                         | 576,227.92              | 302,843.06              |
| Fiscal Services                                              | 842,789.63              | 808,670.19              |                          |                         | 842,789.63              | 808,670.19              |
| Food Services                                                | 6,280,625.51            | 6,240,669.29            |                          |                         | 6,280,625.51            | 6,240,669.29            |
| Central Services                                             | 1,137,680.70            | 1,124,246.32            |                          |                         | 1,137,680.70            | 1,124,246.32            |
| Student Transportation Services                              | 6,159,967.05            | 5,926,815.96            |                          |                         | 6,159,967.05            | 5,926,815.96            |
| Operation of Plant                                           | 6,878,159.47            | 6,733,712.16            |                          |                         | 6,878,159.47            | 6,733,712.16            |
| Maintenance of Plant                                         | 3,038,785.04            | 3,090,062.82            |                          |                         | 3,038,785.04            | 3,090,062.82            |
| Administrative Technology Services                           | 464,139.41              | 492,343.05              |                          |                         | 464,139.41              | 492,343.05              |
| Community Services                                           | 95,817.56               | 225,880.40              |                          |                         | 95,817.56               | 225,880.40              |
| Unallocated Interest on Long-Term Debt                       | 63,752.67               | 105,518.84              |                          |                         | 63,752.67               | 105,518.84              |
| Unallocated Depreciation Expense                             | 4,841,243.76            | 4,973,867.77            |                          |                         | 4,841,243.76            | 4,973,867.77            |
| NEFEC Risk Management Program                                |                         |                         | 19,242,666.88            | 16,987,754.07           | 19,242,666.88           | 16,987,754.07           |
| NEFEC Federal Economic Stimulus Fund                         |                         |                         | 401,015.44               | 531,381.95              | 401,015.44              | 531,381.95              |
| NEFEC Other Programs                                         |                         |                         | 10,114,534.70            | 8,971,431.04            | 10,114,534.70           | 8,971,431.04            |
| NEFEC Employee Benefits Program                              |                         |                         | 29,883.10                | 72,380.13               | 29,883.10               | 72,380.13               |
| <b>Total Functions/Program Expenses</b>                      | <b>108,671,344.72</b>   | <b>102,934,054.93</b>   | <b>29,788,100.12</b>     | <b>26,562,947.19</b>    | <b>138,459,444.84</b>   | <b>129,497,002.12</b>   |
| <b>Change in Net Position</b>                                | <b>(4,155,613.47)</b>   | <b>(5,303,743.85)</b>   | <b>(4,437,037.01)</b>    | <b>(2,785,050.99)</b>   | <b>(8,592,650.48)</b>   | <b>(8,088,794.84)</b>   |
| <b>Net Position - Beginning</b>                              | <b>43,349,088.13</b>    | <b>48,652,831.98</b>    | <b>29,938,065.70</b>     | <b>32,723,116.69</b>    | <b>73,287,153.83</b>    | <b>81,375,948.67</b>    |
| <b>Net Position - Ending</b>                                 | <b>\$ 39,193,474.66</b> | <b>\$ 43,349,088.13</b> | <b>\$ 25,501,028.69</b>  | <b>\$ 29,938,065.70</b> | <b>\$ 64,694,503.35</b> | <b>\$ 73,287,153.83</b> |

For the governmental-type activities, 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. FEFP revenues increased by \$5,141,573, or 14.8 percent, primarily from an increase in State per student funding, while other State revenues decreased by \$311,948.59, resulting in a net increase in State revenues of \$4,829,624.41, or 9.9 percent. Other State revenues are primarily for required carryover programs and from the acquisition, construction, and maintenance of educational facilities.

Total governmental expenses for the 2013-14 fiscal year increased by \$5,737,289.79 from the previous fiscal year. Instruction expenses represent 51.5 percent of total governmental expenses in the 2013-14 fiscal year, which was an increase of \$2,671,134.78, or 5 percent, from the prior fiscal year, due mainly to an increase in salary and benefit costs as a result of employee pay raises and an increase in required retirement contribution rates.

For the business-type activities, grants and contributions not restricted to specific programs increased by \$1,467,714.65, mainly because of increased Federal and State grants. NEFEC Risk Management (Property/Casualty) Program Fund expenses increased \$2,254,912.81, due mainly to an increase in insurance claims expenses. NEFEC Other Programs Fund expenses increased \$1,143,103.66, due mainly to an increase in purchased services expenses.

## **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 \$258,613.23 during the fiscal year to \$16,980,975.24 at June 30, 2014. Of the total fund balance, \$5,352,955.45, or 31.5 percent, is unassigned; \$738,480.87 is nonspendable; \$9,984,163.01 is restricted; and \$905,375.91 is assigned.

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$5,352,955.45, while the total fund balance is \$7,488,946.28. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 8.2 percent of the total General Fund revenues, while total fund balance represents approximately 9.8 percent of total General Fund revenues.

Total fund balance increased by \$90,497, or 1.2 percent, during the fiscal year, as compared to a \$1,939,502.18 decrease in fund balance for the prior fiscal year. Revenues increased \$5,345,414.87, or 7.5 percent, mainly as a result of increased State revenues, and expenditures increased \$3,608,922.81, or 4.7 percent, mainly as a result of increased salaries and benefits expenditures.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$967,946.11 each and the funding was mainly used for instruction related technology. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund increased due to an increase in funding for the Federal Race-to-the-Top Incentive Grants program.

The Special Revenue – Other Fund has total revenues and expenditures of \$13,764,312.13 each and the funding was mainly used for instruction. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, similar to the Special Revenue – Federal Economic Stimulus Fund, this fund general does not accumulate a fund balance. Activity in this fund increased due to an increase in Federal awards, and the increase in funding was mainly used for instructional staff training expenditures.

The Capital Projects – Local Capital Improvement (LCI) Fund has a total fund balance of \$4,145,864.62, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$2,415,354.18 has been encumbered for specific projects. Fund balance decreased by \$395,623.34 because resources were used for the purchase and renovation of a new District administrative facility and for the acquisition of property for a new transportation facility.

### **Proprietary Funds**

The Enterprise Funds have combined net position of \$25,501,028.69, representing a decrease of \$4,437,037.01 in net position during the current fiscal year. The main causes for the decrease are:

- NEFEC Risk Management (Property/Casualty) Program Fund net position decreased by \$4,417,305.01 from the 2012-13 fiscal year. The decrease is primarily attributable to an increase in insurance claims paid, and the payment of policyholder dividends to plan members as a result of the revaluation of loss reserves from several years of favorable loss experience. Premiums charged are based on estimates to cover program expenses and to maintain adequate reserves.
- NEFEC Federal Economic Stimulus Fund is also subject to the above-described reporting and accounting requirements that apply to the Special Revenue – Federal Economic Stimulus Fund. During the 2013-14 fiscal year, the NEFEC Federal Economic Stimulus Fund reported revenues and expenses of \$401,015.44 each, and funding was used mainly for salaries and benefits, and purchased services. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate net position.
- NEFEC Other Programs Fund net position decreased by \$37,473.08 from the 2012-13 fiscal year. Operating revenues increased \$300,211.98, or 5.8 percent, mainly as a result of an increase in charges for services revenues, nonoperating revenues increased \$1,592,203.43, or 52.2 percent, mainly as a result of an increase in Federal and State grants, and expenses increased \$1,143,103.66, or 12.7 percent, mainly as a result of and increase in expenses related to purchased services from the 2012-13 fiscal year.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$324,945.19, or 0.4 percent. Budget revisions were due primarily to the changes in estimated miscellaneous local revenue funding.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$4,280,669.37, or 5.1 percent, less than final budget amounts. Expenditures were less than the final budget amounts primarily because instruction and instruction-related salaries and benefits and facilities acquisition and construction expenditures were less than anticipated. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$4,425,669.54.

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

#### **Capital Assets**

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2014, is \$46,331,892.64 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software.

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

**Long-Term Debt**

At June 30, 2014, the District has outstanding bonds payables of \$1,452,000 and a note payable of \$1,534,549.02. During the current fiscal year, the District entered into a \$1,700,000 note payable to purchase school buses, and retired bonds payable debt of \$350,000 and note payable debt of \$165,450.98 through scheduled principal payments.

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 District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Rhonda Odom, Chief Financial Officer, Putnam County District School Board, 200 Reid Street, Palatka, Florida 32177.

# BASIC FINANCIAL STATEMENTS

PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION  
June 30, 2014

|                                             | Governmental<br>Activities | Primary Government<br>Business-Type<br>Activities | Total                   | Component<br>Units   |
|---------------------------------------------|----------------------------|---------------------------------------------------|-------------------------|----------------------|
| <b>ASSETS</b>                               |                            |                                                   |                         |                      |
| Cash and Cash Equivalents                   | \$ 14,979,258.99           | \$ 34,334,697.89                                  | \$ 49,313,956.88        | \$ 521,022.00        |
| Cash and Cash Equivalents with Fiscal Agent |                            | 100,000.00                                        | 100,000.00              |                      |
| Accounts Receivable                         | 17,317.54                  | 158,487.78                                        | 175,805.32              | 21,678.00            |
| Due from Excess Insurer                     |                            | 354,556.33                                        | 354,556.33              |                      |
| Internal Balances                           | (43,461.54)                | 43,461.54                                         |                         |                      |
| Due from Other Agencies                     | 3,544,907.97               | 864,310.25                                        | 4,409,218.22            |                      |
| Prepaid Items                               |                            |                                                   |                         | 147,479.00           |
| Inventories                                 | 613,967.62                 |                                                   | 613,967.62              |                      |
| Investments                                 | 95,528.05                  | 151,907.78                                        | 247,435.83              |                      |
| Capital Assets:                             |                            |                                                   |                         |                      |
| Nondepreciable Capital Assets               | 2,925,075.37               | 45,000.00                                         | 2,970,075.37            | 155,400.00           |
| Depreciable Capital Assets, Net             | 42,014,673.84              | 1,347,243.43                                      | 43,361,817.27           | 853,319.00           |
| <b>TOTAL ASSETS</b>                         | <b>64,147,167.84</b>       | <b>37,399,665.00</b>                              | <b>101,546,832.84</b>   | <b>1,698,898.00</b>  |
| <b>LIABILITIES</b>                          |                            |                                                   |                         |                      |
| Salaries and Benefits Payable               | 1,017,107.93               | 64,021.70                                         | 1,081,129.63            | 20,714.00            |
| Accounts Payable                            | 942,486.51                 | 487,132.97                                        | 1,429,619.48            | 94,816.00            |
| Construction Contracts Payable              | 141,543.00                 |                                                   | 141,543.00              |                      |
| Construction Contracts Payable - Retainage  | 45,089.80                  |                                                   | 45,089.80               |                      |
| Due to Other Agencies                       | 76,472.56                  | 210,048.77                                        | 286,521.33              |                      |
| Long-Term Liabilities:                      |                            |                                                   |                         |                      |
| Portion Due Within One Year                 | 2,675,720.77               | 3,822,046.94                                      | 6,497,767.71            | 58,057.00            |
| Portion Due After One Year                  | 20,055,272.61              | 7,315,385.93                                      | 27,370,658.54           | 873,095.00           |
| <b>TOTAL LIABILITIES</b>                    | <b>24,953,693.18</b>       | <b>11,898,636.31</b>                              | <b>36,852,329.49</b>    | <b>1,046,682.00</b>  |
| <b>NET POSITION</b>                         |                            |                                                   |                         |                      |
| Net Investment in Capital Assets            | 41,953,100.19              | 1,392,243.43                                      | 43,345,343.62           | 130,550.00           |
| Restricted for:                             |                            |                                                   |                         |                      |
| State Required Carryover Programs           | 606,334.93                 |                                                   | 606,334.93              |                      |
| Debt Service                                | 87,007.25                  |                                                   | 87,007.25               |                      |
| Capital Projects                            | 6,526,963.69               |                                                   | 6,526,963.69            |                      |
| Food Service                                | 2,713,240.35               |                                                   | 2,713,240.35            |                      |
| Permanent Funds - Expendable                | 4,462.79                   |                                                   | 4,462.79                |                      |
| Permanent Funds - Nonexpendable             | 124,513.25                 |                                                   | 124,513.25              |                      |
| Other Purposes                              | 176,358.25                 |                                                   | 176,358.25              |                      |
| Unrestricted                                | (12,998,506.04)            | 24,108,785.26                                     | 11,110,279.22           | 521,666.00           |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 39,193,474.66</b>    | <b>\$ 25,501,028.69</b>                           | <b>\$ 64,694,503.35</b> | <b>\$ 652,216.00</b> |

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

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**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2014**

| Functions/Programs                                | Expenses          | Program Revenues           |                                          |                                        |
|---------------------------------------------------|-------------------|----------------------------|------------------------------------------|----------------------------------------|
|                                                   |                   | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| Primary Government                                |                   |                            |                                          |                                        |
| Governmental Activities:                          |                   |                            |                                          |                                        |
| Instruction                                       | \$ 56,001,727.70  | \$ 240,129.20              | \$                                       |                                        |
| Student Personnel Services                        | 5,220,138.79      |                            |                                          |                                        |
| Instructional Media Services                      | 2,853,443.24      |                            |                                          |                                        |
| Instruction and Curriculum Development Services   | 3,226,964.61      |                            |                                          |                                        |
| Instructional Staff Training Services             | 1,659,986.08      |                            |                                          |                                        |
| Instruction Related Technology                    | 856,741.81        |                            |                                          |                                        |
| School Board                                      | 548,700.58        |                            |                                          |                                        |
| General Administration                            | 1,874,190.42      |                            |                                          |                                        |
| School Administration                             | 6,050,262.77      |                            |                                          |                                        |
| Facilities Acquisition and Construction           | 576,227.92        |                            |                                          | 75,711.03                              |
| Fiscal Services                                   | 842,789.63        |                            |                                          |                                        |
| Food Services                                     | 6,280,625.51      | 681,076.60                 | 6,123,015.37                             |                                        |
| Central Services                                  | 1,137,680.70      |                            |                                          |                                        |
| Student Transportation Services                   | 6,159,967.05      |                            |                                          |                                        |
| Operation of Plant                                | 6,878,159.47      |                            |                                          |                                        |
| Maintenance of Plant                              | 3,038,785.04      |                            |                                          |                                        |
| Administrative Technology Services                | 464,139.41        |                            |                                          |                                        |
| Community Services                                | 95,817.56         |                            |                                          |                                        |
| Unallocated Interest on Long-Term Debt            | 63,752.67         |                            |                                          | 427,664.21                             |
| Unallocated Depreciation Expense*                 | 4,841,243.76      |                            |                                          |                                        |
| Total Governmental Activities                     | 108,671,344.72    | 921,205.80                 | 6,123,015.37                             | 503,375.24                             |
| Business-Type Activities:                         |                   |                            |                                          |                                        |
| NEFEC Risk Management (Property/Casualty) Program | 19,242,666.88     | 14,719,323.91              |                                          |                                        |
| NEFEC Federal Economic Stimulus                   | 401,015.44        |                            |                                          |                                        |
| NEFEC Other Programs                              | 10,114,534.70     | 5,434,971.02               |                                          |                                        |
| NEFEC Employee Benefits Program                   | 29,883.10         | 46,285.90                  |                                          |                                        |
| Total Business-Type Activities                    | 29,788,100.12     | 20,200,580.83              |                                          |                                        |
| Total Primary Government                          | \$ 138,459,444.84 | \$ 21,121,786.63           | \$ 6,123,015.37                          | \$ 503,375.24                          |
| Component Units                                   |                   |                            |                                          |                                        |
| Charter Schools                                   | \$ 3,134,330.00   | \$ 50,121.00               | \$ 0.00                                  | \$ 88,235.00                           |

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

**Net Position - Ending**

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

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

| Net (Expense) Revenue and Changes in Net Position |                             |                    |                    |
|---------------------------------------------------|-----------------------------|--------------------|--------------------|
| Governmental<br>Activities                        | Primary Government          |                    | Component<br>Units |
|                                                   | Business-Type<br>Activities | Total              |                    |
| \$ (55,761,598.50)                                | \$                          | \$ (55,761,598.50) | \$                 |
| (5,220,138.79)                                    |                             | (5,220,138.79)     |                    |
| (2,853,443.24)                                    |                             | (2,853,443.24)     |                    |
| (3,226,964.61)                                    |                             | (3,226,964.61)     |                    |
| (1,659,986.08)                                    |                             | (1,659,986.08)     |                    |
| (856,741.81)                                      |                             | (856,741.81)       |                    |
| (548,700.58)                                      |                             | (548,700.58)       |                    |
| (1,874,190.42)                                    |                             | (1,874,190.42)     |                    |
| (6,050,262.77)                                    |                             | (6,050,262.77)     |                    |
| (500,516.89)                                      |                             | (500,516.89)       |                    |
| (842,789.63)                                      |                             | (842,789.63)       |                    |
| 523,466.46                                        |                             | 523,466.46         |                    |
| (1,137,680.70)                                    |                             | (1,137,680.70)     |                    |
| (6,159,967.05)                                    |                             | (6,159,967.05)     |                    |
| (6,878,159.47)                                    |                             | (6,878,159.47)     |                    |
| (3,038,785.04)                                    |                             | (3,038,785.04)     |                    |
| (464,139.41)                                      |                             | (464,139.41)       |                    |
| (95,817.56)                                       |                             | (95,817.56)        |                    |
| 363,911.54                                        |                             | 363,911.54         |                    |
| (4,841,243.76)                                    |                             | (4,841,243.76)     |                    |
| (101,123,748.31)                                  |                             | (101,123,748.31)   |                    |
|                                                   | (4,523,342.97)              | (4,523,342.97)     |                    |
|                                                   | (401,015.44)                | (401,015.44)       |                    |
|                                                   | (4,679,563.68)              | (4,679,563.68)     |                    |
|                                                   | 16,402.80                   | 16,402.80          |                    |
|                                                   | (9,587,519.29)              | (9,587,519.29)     |                    |
| (101,123,748.31)                                  | (9,587,519.29)              | (110,711,267.60)   |                    |
|                                                   |                             |                    | (2,995,974.00)     |
| 20,751,568.11                                     |                             | 20,751,568.11      |                    |
| 5,296,324.90                                      |                             | 5,296,324.90       |                    |
| 68,814,081.64                                     | 5,005,902.24                | 73,819,983.88      | 2,941,311.00       |
| 49,217.50                                         | 144,580.04                  | 193,797.54         | 223.00             |
| 2,056,942.69                                      |                             | 2,056,942.69       | 68,867.00          |
| 96,968,134.84                                     | 5,150,482.28                | 102,118,617.12     | 3,010,401.00       |
| (4,155,613.47)                                    | (4,437,037.01)              | (8,592,650.48)     | 14,427.00          |
| 43,349,088.13                                     | 29,938,065.70               | 73,287,153.83      | 637,789.00         |
| \$ 39,193,474.66                                  | \$ 25,501,028.69            | \$ 64,694,503.35   | \$ 652,216.00      |

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014**

|                                            | General<br>Fund             | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund | Special<br>Revenue -<br>Other<br>Fund |
|--------------------------------------------|-----------------------------|-----------------------------------------------------------|---------------------------------------|
|                                            | <u>                    </u> | <u>                    </u>                               | <u>                    </u>           |
| <b>ASSETS</b>                              |                             |                                                           |                                       |
| Cash and Cash Equivalents                  | \$ 5,394,722.26             | \$                                                        | \$                                    |
| Accounts Receivable                        | 17,317.54                   |                                                           |                                       |
| Due from Other Funds                       | 2,548,593.01                |                                                           |                                       |
| Due from Other Agencies                    | 335,257.93                  | 267,162.25                                                | 2,828,644.01                          |
| Inventories                                | 483,763.37                  |                                                           |                                       |
| Investments                                | 5,085.10                    |                                                           |                                       |
|                                            | <u>                    </u> | <u>                    </u>                               | <u>                    </u>           |
| <b>TOTAL ASSETS</b>                        | <u>\$ 8,784,739.21</u>      | <u>\$ 267,162.25</u>                                      | <u>\$ 2,828,644.01</u>                |
| <b>LIABILITIES AND FUND BALANCE</b>        |                             |                                                           |                                       |
| Liabilities:                               |                             |                                                           |                                       |
| Salaries and Benefits Payable              | \$ 645,155.85               | \$                                                        | \$ 311,886.82                         |
| Accounts Payable                           | 608,372.62                  | 69,605.06                                                 | 211,326.74                            |
| Construction Contracts Payable             |                             |                                                           |                                       |
| Construction Contracts Payable - Retainage |                             |                                                           |                                       |
| Due to Other Funds                         | 42,264.46                   | 197,557.19                                                | 2,228,957.89                          |
| Due to Other Agencies                      |                             |                                                           | 76,472.56                             |
|                                            | <u>                    </u> | <u>                    </u>                               | <u>                    </u>           |
| <b>Total Liabilities</b>                   | <u>1,295,792.93</u>         | <u>267,162.25</u>                                         | <u>2,828,644.01</u>                   |
| Fund Balances:                             |                             |                                                           |                                       |
| Nonspendable:                              |                             |                                                           |                                       |
| Inventories                                | 483,763.37                  |                                                           |                                       |
| Permanent Fund Principal                   |                             |                                                           |                                       |
| Total Nonspendable Fund Balance            | <u>483,763.37</u>           | <u>                    </u>                               | <u>                    </u>           |
| Restricted for:                            |                             |                                                           |                                       |
| State Required Carryover Programs          | 606,334.93                  |                                                           |                                       |
| Other State and Local Projects             | 140,516.62                  |                                                           |                                       |
| Debt Service                               |                             |                                                           |                                       |
| Capital Projects                           |                             |                                                           |                                       |
| Food Service                               |                             |                                                           |                                       |
| Permanent Funds                            |                             |                                                           |                                       |
| Total Restricted Fund Balance              | <u>746,851.55</u>           | <u>                    </u>                               | <u>                    </u>           |
| Assigned for:                              |                             |                                                           |                                       |
| Performance Compensation Matching          | 345,000.00                  |                                                           |                                       |
| Maintenance and Repairs                    | 141,747.03                  |                                                           |                                       |
| Construction Projects                      | 112,585.07                  |                                                           |                                       |
| Equipment Replacement                      | 108,023.14                  |                                                           |                                       |
| Wellness Initiatives                       | 38,536.26                   |                                                           |                                       |
| Purchase Obligations                       | 27,514.76                   |                                                           |                                       |
| Other Purposes                             | 131,969.65                  |                                                           |                                       |
| Total Assigned Fund Balance                | <u>905,375.91</u>           | <u>                    </u>                               | <u>                    </u>           |
| Unassigned Fund Balance                    | <u>5,352,955.45</u>         | <u>                    </u>                               | <u>                    </u>           |
|                                            | <u>                    </u> | <u>                    </u>                               | <u>                    </u>           |
| <b>Total Fund Balances</b>                 | <u>7,488,946.28</u>         | <u>                    </u>                               | <u>                    </u>           |
|                                            | <u>                    </u> | <u>                    </u>                               | <u>                    </u>           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>  | <u>\$ 8,784,739.21</u>      | <u>\$ 267,162.25</u>                                      | <u>\$ 2,828,644.01</u>                |

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

| Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------------------------|--------------------------------|--------------------------------|
| \$ 4,297,399.87                                            | \$ 5,273,560.91                | \$ 14,965,683.04               |
|                                                            |                                | 17,317.54                      |
|                                                            |                                | 2,548,593.01                   |
| 57,364.49                                                  | 56,479.29                      | 3,544,907.97                   |
|                                                            | 130,204.25                     | 613,967.62                     |
| 215.84                                                     | 89,371.87                      | 94,672.81                      |
| <u>\$ 4,354,980.20</u>                                     | <u>\$ 5,549,616.32</u>         | <u>\$ 21,785,141.99</u>        |
|                                                            |                                |                                |
| \$ 22,482.78                                               | \$ 58,304.44                   | \$ 1,015,347.11                |
| 141,543.00                                                 | 21,872.53                      | 933,659.73                     |
| 45,089.80                                                  |                                | 141,543.00                     |
|                                                            | 123,275.01                     | 45,089.80                      |
|                                                            |                                | 2,592,054.55                   |
|                                                            |                                | 76,472.56                      |
| <u>209,115.58</u>                                          | <u>203,451.98</u>              | <u>4,804,166.75</u>            |
|                                                            |                                |                                |
|                                                            | 130,204.25                     | 613,967.62                     |
|                                                            | 124,513.25                     | 124,513.25                     |
|                                                            | <u>254,717.50</u>              | <u>738,480.87</u>              |
|                                                            |                                |                                |
|                                                            |                                | 606,334.93                     |
|                                                            | 35,841.63                      | 176,358.25                     |
|                                                            | 87,007.25                      | 87,007.25                      |
| 4,145,864.62                                               | 2,381,099.07                   | 6,526,963.69                   |
|                                                            | 2,583,036.10                   | 2,583,036.10                   |
|                                                            | 4,462.79                       | 4,462.79                       |
| <u>4,145,864.62</u>                                        | <u>5,091,446.84</u>            | <u>9,984,163.01</u>            |
|                                                            |                                |                                |
|                                                            |                                | 345,000.00                     |
|                                                            |                                | 141,747.03                     |
|                                                            |                                | 112,585.07                     |
|                                                            |                                | 108,023.14                     |
|                                                            |                                | 38,536.26                      |
|                                                            |                                | 27,514.76                      |
|                                                            |                                | 131,969.65                     |
|                                                            |                                | <u>905,375.91</u>              |
|                                                            |                                | <u>5,352,955.45</u>            |
| <u>4,145,864.62</u>                                        | <u>5,346,164.34</u>            | <u>16,980,975.24</u>           |
|                                                            |                                |                                |
| <u>\$ 4,354,980.20</u>                                     | <u>\$ 5,549,616.32</u>         | <u>\$ 21,785,141.99</u>        |

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

|                                                 |                         |
|-------------------------------------------------|-------------------------|
| <b>Total Fund Balances - Governmental Funds</b> | <b>\$ 16,980,975.24</b> |
|-------------------------------------------------|-------------------------|

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. | 44,939,649.21 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|

|                                                                                                                                                                                                                                                                    |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | 3,843.59 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

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

|                                       |                 |  |
|---------------------------------------|-----------------|--|
| Bonds Payable                         | \$ 1,452,000.00 |  |
| Note Payable                          | 1,534,549.02    |  |
| Compensated Absences Payable          | 10,074,142.55   |  |
| Other Postemployment Benefits Payable | 9,670,301.81    |  |
|                                       | (22,730,993.38) |  |

|                                               |                         |
|-----------------------------------------------|-------------------------|
| <b>Net Position - Governmental Activities</b> | <b>\$ 39,193,474.66</b> |
|-----------------------------------------------|-------------------------|

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

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**PUTNAM COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2014*

|                                                          | General<br>Fund        | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund | Special<br>Revenue -<br>Other<br>Fund |
|----------------------------------------------------------|------------------------|-----------------------------------------------------------|---------------------------------------|
| <b>Revenues</b>                                          |                        |                                                           |                                       |
| Intergovernmental:                                       |                        |                                                           |                                       |
| Federal Direct                                           | \$ 194,976.07          | \$                                                        | \$ 1,913,744.18                       |
| Federal Through State and Local                          | 867,448.06             | 967,946.11                                                | 11,850,567.95                         |
| State                                                    | 52,451,680.10          |                                                           |                                       |
| Local:                                                   |                        |                                                           |                                       |
| Property Taxes                                           | 20,751,568.11          |                                                           |                                       |
| Charges for Services - Food Service                      |                        |                                                           |                                       |
| Miscellaneous                                            | 2,253,340.34           |                                                           |                                       |
| Total Local Revenues                                     | <u>23,004,908.45</u>   |                                                           |                                       |
| <b>Total Revenues</b>                                    | <u>76,519,012.68</u>   | <u>967,946.11</u>                                         | <u>13,764,312.13</u>                  |
| <b>Expenditures</b>                                      |                        |                                                           |                                       |
| Current - Education:                                     |                        |                                                           |                                       |
| Instruction                                              | 47,353,423.53          | 99,167.60                                                 | 7,559,331.51                          |
| Student Personnel Services                               | 3,584,378.22           |                                                           | 1,544,484.55                          |
| Instructional Media Services                             | 2,815,518.76           |                                                           | 218.37                                |
| Instruction and Curriculum Development Services          | 1,315,380.04           | 39,217.65                                                 | 1,792,775.66                          |
| Instructional Staff Training Services                    | 91,284.93              | 4,465.80                                                  | 1,531,623.76                          |
| Instruction Related Technology                           |                        | 559,513.22                                                | 10,443.71                             |
| School Board                                             | 543,292.51             |                                                           |                                       |
| General Administration                                   | 581,705.54             | 2,656.16                                                  | 869,495.10                            |
| School Administration                                    | 5,908,137.69           | 16,611.00                                                 | 5,853.91                              |
| Facilities Acquisition and Construction                  | 19,698.62              |                                                           |                                       |
| Fiscal Services                                          | 781,913.71             |                                                           |                                       |
| Food Services                                            | 52,748.86              |                                                           |                                       |
| Central Services                                         | 1,114,846.60           |                                                           |                                       |
| Student Transportation Services                          | 5,124,914.78           |                                                           | 249,212.88                            |
| Operation of Plant                                       | 6,811,084.19           |                                                           | 5,854.43                              |
| Maintenance of Plant                                     | 3,000,330.48           |                                                           |                                       |
| Administrative Technology Services                       | 456,399.85             |                                                           |                                       |
| Community Services                                       | 18,354.56              |                                                           | 75,446.00                             |
| Fixed Capital Outlay:                                    |                        |                                                           |                                       |
| Facilities Acquisition and Construction                  | 62,531.81              |                                                           |                                       |
| Other Capital Outlay                                     | 98,588.68              | 246,314.68                                                | 119,572.25                            |
| Debt Service:                                            |                        |                                                           |                                       |
| Principal                                                |                        |                                                           |                                       |
| Interest and Fiscal Charges                              |                        |                                                           |                                       |
| <b>Total Expenditures</b>                                | <u>79,734,533.36</u>   | <u>967,946.11</u>                                         | <u>13,764,312.13</u>                  |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>(3,215,520.68)</u>  |                                                           |                                       |
| <b>Other Financing Sources (Uses)</b>                    |                        |                                                           |                                       |
| Transfers In                                             | 3,628,341.00           |                                                           |                                       |
| Proceeds from Inception of Note Payable                  |                        |                                                           |                                       |
| Proceeds from Refunding Bonds Issued                     |                        |                                                           |                                       |
| Premium on District Revenue Bonds                        |                        |                                                           |                                       |
| Insurance Loss Recoveries                                | 12,676.68              |                                                           |                                       |
| Payments to Refunding Bond Escrow Agent                  |                        |                                                           |                                       |
| Transfers Out                                            | (335,000.00)           |                                                           |                                       |
| <b>Total Other Financing Sources (Uses)</b>              | <u>3,306,017.68</u>    |                                                           |                                       |
| <b>Net Change in Fund Balances</b>                       | 90,497.00              |                                                           |                                       |
| Fund Balances, Beginning                                 | 7,398,449.28           |                                                           |                                       |
| <b>Fund Balances, Ending</b>                             | <u>\$ 7,488,946.28</u> | <u>\$ 0.00</u>                                            | <u>\$ 0.00</u>                        |

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

| Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                            |                                |                                |
| \$                                                         | \$                             | \$                             |
|                                                            | 6,014,142.37                   | 2,108,720.25                   |
|                                                            | 1,179,967.41                   | 19,700,104.49                  |
|                                                            |                                | 53,631,647.51                  |
| 5,296,324.90                                               |                                | 26,047,893.01                  |
|                                                            | 681,076.60                     | 681,076.60                     |
| 14,702.53                                                  | 64,116.16                      | 2,332,159.03                   |
| 5,311,027.43                                               | 745,192.76                     | 29,061,128.64                  |
| 5,311,027.43                                               | 7,939,302.54                   | 104,501,600.89                 |
|                                                            | 3,300.00                       | 55,015,222.64                  |
|                                                            |                                | 5,128,862.77                   |
|                                                            |                                | 2,815,737.13                   |
|                                                            | 8,180.00                       | 3,155,553.35                   |
|                                                            |                                | 1,627,374.49                   |
|                                                            | 285,942.72                     | 855,899.65                     |
|                                                            |                                | 543,292.51                     |
|                                                            |                                | 1,453,856.80                   |
|                                                            |                                | 5,930,602.60                   |
| 556,529.30                                                 |                                | 576,227.92                     |
|                                                            |                                | 781,913.71                     |
|                                                            | 6,172,337.26                   | 6,225,086.12                   |
|                                                            |                                | 1,114,846.60                   |
|                                                            |                                | 5,374,127.66                   |
|                                                            |                                | 6,816,938.62                   |
|                                                            |                                | 3,000,330.48                   |
|                                                            |                                | 456,399.85                     |
|                                                            |                                | 93,800.56                      |
| 1,385,927.55                                               | 191,435.31                     | 1,639,894.67                   |
| 41,204.69                                                  | 1,941,812.26                   | 2,447,492.56                   |
| 165,450.98                                                 | 350,000.00                     | 515,450.98                     |
| 10,221.25                                                  | 94,359.37                      | 104,580.62                     |
| 2,159,333.77                                               | 9,047,366.92                   | 105,673,492.29                 |
| 3,151,693.66                                               | (1,108,064.38)                 | (1,171,891.40)                 |
|                                                            |                                | 3,628,341.00                   |
|                                                            | 1,700,000.00                   | 1,700,000.00                   |
|                                                            | 317,000.00                     | 317,000.00                     |
|                                                            | 50,879.47                      | 50,879.47                      |
|                                                            |                                | 12,676.68                      |
|                                                            | (315,051.52)                   | (315,051.52)                   |
| (3,547,317.00)                                             | (81,024.00)                    | (3,963,341.00)                 |
| (3,547,317.00)                                             | 1,671,803.95                   | 1,430,504.63                   |
| (395,623.34)                                               | 563,739.57                     | 258,613.23                     |
| 4,541,487.96                                               | 4,782,424.77                   | 16,722,362.01                  |
| \$ 4,145,864.62                                            | \$ 5,346,164.34                | \$ 16,980,975.24               |

**PUTNAM 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, 2014**

**Net Change in Fund Balances - Governmental Funds** **\$ 258,613.23**

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 capital outlays in excess of depreciation expense in the current fiscal year.

|                                                                |                       |                |
|----------------------------------------------------------------|-----------------------|----------------|
| Fixed Capital Outlay - Facilities Acquisition and Construction | \$ 1,639,894.67       |                |
| Fixed Capital Outlay - Other Capital Outlay                    | 2,447,492.56          |                |
| Depreciation Expense                                           | <u>(5,556,609.07)</u> | (1,469,221.84) |

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 by which proceeds exceed repayments in the current fiscal year.

|                           |                   |                |
|---------------------------|-------------------|----------------|
| Inception of Note Payable | (1,700,000.00)    |                |
| Refunding Bonds Issued    | (317,000.00)      |                |
| Refunding Bonds Retired   | 305,000.00        |                |
| Note Payments             | 165,450.98        |                |
| Bond Payments             | <u>350,000.00</u> | (1,196,549.02) |

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current fiscal year. (578,372.62)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (1,052,693.95)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities. (117,389.27)

**Change in Net Position - Governmental Activities** **\$ (4,155,613.47)**

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS  
June 30, 2014**

|                                                    | Business-Type Activities - Enterprise Funds                |                                          |                            |                                                  |                         | Governmental                                |
|----------------------------------------------------|------------------------------------------------------------|------------------------------------------|----------------------------|--------------------------------------------------|-------------------------|---------------------------------------------|
|                                                    | NEFEC<br>Risk Management<br>(Property/Casualty)<br>Program | NEFEC<br>Federal<br>Economic<br>Stimulus | NEFEC<br>Other<br>Programs | NEFEC<br>Employee Benefits<br>Program (Nonmajor) | Total                   | Activities -<br>Internal<br>Service<br>Fund |
| <b>ASSETS</b>                                      |                                                            |                                          |                            |                                                  |                         |                                             |
| Current Assets:                                    |                                                            |                                          |                            |                                                  |                         |                                             |
| Cash and Cash Equivalents                          | \$ 27,237,680.44                                           | \$                                       | \$ 6,574,082.63            | \$ 522,934.82                                    | \$ 34,334,697.89        | \$ 13,575.95                                |
| Cash with Fiscal Agent                             | 100,000.00                                                 |                                          |                            |                                                  | 100,000.00              |                                             |
| Accounts Receivable                                | 1,143.84                                                   |                                          | 157,307.94                 | 36.00                                            | 158,487.78              |                                             |
| Due From Other Funds                               |                                                            |                                          | 43,564.05                  |                                                  | 43,564.05               |                                             |
| Due From Other Agencies                            | 2,161.25                                                   |                                          | 806,209.65                 | 55,939.35                                        | 864,310.25              |                                             |
| Due From Excess Insurer                            | 354,556.33                                                 |                                          |                            |                                                  | 354,556.33              |                                             |
| <b>Total Current Assets</b>                        | <b>27,695,541.86</b>                                       |                                          | <b>7,581,164.27</b>        | <b>578,910.17</b>                                | <b>35,855,616.30</b>    | <b>13,575.95</b>                            |
| Noncurrent Assets:                                 |                                                            |                                          |                            |                                                  |                         |                                             |
| Investments in SBA Fund B Surplus Funds Trust Fund | 108,731.43                                                 |                                          | 40,991.56                  | 2,184.79                                         | 151,907.78              | 855.24                                      |
| Nondepreciable Capital Assets                      |                                                            |                                          | 45,000.00                  |                                                  | 45,000.00               |                                             |
| Depreciable Capital Assets, Net                    |                                                            |                                          | 1,347,243.43               |                                                  | 1,347,243.43            |                                             |
| <b>Total Noncurrent Assets</b>                     | <b>108,731.43</b>                                          |                                          | <b>1,433,234.99</b>        | <b>2,184.79</b>                                  | <b>1,544,151.21</b>     | <b>855.24</b>                               |
| <b>TOTAL ASSETS</b>                                | <b>27,804,273.29</b>                                       |                                          | <b>9,014,399.26</b>        | <b>581,094.96</b>                                | <b>37,399,767.51</b>    | <b>14,431.19</b>                            |
| <b>LIABILITIES</b>                                 |                                                            |                                          |                            |                                                  |                         |                                             |
| Current Liabilities:                               |                                                            |                                          |                            |                                                  |                         |                                             |
| Salaries and Benefits Payable                      | 23,345.07                                                  |                                          | 40,676.63                  |                                                  | 64,021.70               | 1,760.82                                    |
| Accounts Payable                                   | 18,873.55                                                  |                                          | 464,176.10                 | 4,083.32                                         | 487,132.97              | 8,826.78                                    |
| Due to Other Funds                                 |                                                            |                                          | 102.51                     |                                                  | 102.51                  |                                             |
| Due to Other Agencies                              |                                                            |                                          |                            | 210,048.77                                       | 210,048.77              |                                             |
| Compensated Absences Payable                       | 18,925.41                                                  |                                          | 142,094.00                 | 2,027.53                                         | 163,046.94              |                                             |
| Estimated Insurance Claims Payable                 | 3,659,000.00                                               |                                          |                            |                                                  | 3,659,000.00            |                                             |
| <b>Total Current Liabilities</b>                   | <b>3,720,144.03</b>                                        |                                          | <b>647,049.24</b>          | <b>216,159.62</b>                                | <b>4,583,352.89</b>     | <b>10,587.60</b>                            |
| Noncurrent Liabilities:                            |                                                            |                                          |                            |                                                  |                         |                                             |
| Compensated Absences Payable                       | 75,701.63                                                  |                                          | 568,375.99                 | 8,110.12                                         | 652,187.74              |                                             |
| Estimated Insurance Claims Payable                 | 6,166,000.00                                               |                                          |                            |                                                  | 6,166,000.00            |                                             |
| Other Postemployment Benefits Payable              | 30,104.53                                                  |                                          | 458,456.76                 | 8,636.90                                         | 497,198.19              |                                             |
| <b>Total Noncurrent Liabilities</b>                | <b>6,271,806.16</b>                                        |                                          | <b>1,026,832.75</b>        | <b>16,747.02</b>                                 | <b>7,315,385.93</b>     |                                             |
| <b>TOTAL LIABILITIES</b>                           | <b>9,991,950.19</b>                                        |                                          | <b>1,673,881.99</b>        | <b>232,906.64</b>                                | <b>11,898,738.82</b>    | <b>10,587.60</b>                            |
| <b>NET POSITION</b>                                |                                                            |                                          |                            |                                                  |                         |                                             |
| Investment in Capital Assets                       |                                                            |                                          | 1,392,243.43               |                                                  | 1,392,243.43            |                                             |
| Unrestricted                                       | 17,812,323.10                                              |                                          | 5,948,273.84               | 348,188.32                                       | 24,108,785.26           | 3,843.59                                    |
| <b>TOTAL NET POSITION</b>                          | <b>\$ 17,812,323.10</b>                                    | <b>\$ 0.00</b>                           | <b>\$ 7,340,517.27</b>     | <b>\$ 348,188.32</b>                             | <b>\$ 25,501,028.69</b> | <b>\$ 3,843.59</b>                          |

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2014**

|                                       | Business-Type Activities - Enterprise Funds                |                                          |                            |                                                  | Governmental Activities - Internal Service Fund |
|---------------------------------------|------------------------------------------------------------|------------------------------------------|----------------------------|--------------------------------------------------|-------------------------------------------------|
|                                       | NEFEC<br>Risk Management<br>(Property/Casualty)<br>Program | NEFEC<br>Federal<br>Economic<br>Stimulus | NEFEC<br>Other<br>Programs | NEFEC<br>Employee Benefits<br>Program (Nonmajor) | Total                                           |
| <b>OPERATING REVENUES</b>             |                                                            |                                          |                            |                                                  |                                                 |
| Charges for Services                  | \$                                                         | \$                                       | \$ 5,221,513.19            | \$ 46,285.90                                     | \$ 5,267,799.09                                 |
| Charges for Sales                     |                                                            |                                          | 213,457.83                 |                                                  | 213,457.83                                      |
| Premium Revenues                      | 14,719,323.91                                              |                                          |                            |                                                  | 14,719,323.91                                   |
| <b>Total Operating Revenues</b>       | 14,719,323.91                                              |                                          | 5,434,971.02               | 46,285.90                                        | 20,200,580.83                                   |
| <b>OPERATING EXPENSES</b>             |                                                            |                                          |                            |                                                  |                                                 |
| Salaries                              | 236,953.92                                                 | 184,720.43                               | 3,696,677.28               | 14,119.35                                        | 4,132,470.98                                    |
| Employee Benefits                     | 46,194.64                                                  | 43,132.14                                | 907,703.99                 | 7,556.83                                         | 1,004,587.60                                    |
| Purchased Services                    | 413,439.09                                                 | 139,290.10                               | 4,126,143.36               | 7,136.28                                         | 4,686,008.83                                    |
| Energy Services                       |                                                            |                                          | 47,991.19                  |                                                  | 47,991.19                                       |
| Materials and Supplies                | 1,880.16                                                   | 11,413.93                                | 160,073.24                 | 849.39                                           | 174,216.72                                      |
| Capital Outlay                        | 3,598.98                                                   | 6,459.31                                 | 124,916.27                 | 221.25                                           | 135,195.81                                      |
| Insurance Claims                      | 7,569,590.00                                               |                                          |                            |                                                  | 7,569,590.00                                    |
| Excess Insurance Premiums             | 7,403,685.88                                               |                                          |                            |                                                  | 7,403,685.88                                    |
| Policyholder Dividends                | 3,359,432.99                                               |                                          |                            |                                                  | 3,359,432.99                                    |
| Other Expenses                        | 200,956.22                                                 | 15,999.53                                | 325,679.49                 |                                                  | 542,635.24                                      |
| Depreciation                          | 6,935.00                                                   |                                          | 725,349.88                 |                                                  | 732,284.88                                      |
| <b>Total Operating Expenses</b>       | 19,242,666.88                                              | 401,015.44                               | 10,114,534.70              | 29,883.10                                        | 29,788,100.12                                   |
| <b>Operating Income (Loss)</b>        | (4,523,342.97)                                             | (401,015.44)                             | (4,679,563.68)             | 16,402.80                                        | (9,587,519.29)                                  |
| <b>NONOPERATING REVENUES</b>          |                                                            |                                          |                            |                                                  |                                                 |
| Interest Revenue                      | 106,037.96                                                 |                                          | 37,203.80                  | 1,338.28                                         | 144,580.04                                      |
| Federal Grants                        |                                                            | 401,015.44                               | 3,961,862.80               |                                                  | 4,362,878.24                                    |
| State Grants                          |                                                            |                                          | 643,024.00                 |                                                  | 643,024.00                                      |
| <b>Total Nonoperating Revenues</b>    | 106,037.96                                                 | 401,015.44                               | 4,642,090.60               | 1,338.28                                         | 5,150,482.28                                    |
| <b>Income (Loss) Before Transfers</b> | (4,417,305.01)                                             |                                          | (37,473.08)                | 17,741.08                                        | (4,437,037.01)                                  |
| Transfers In                          |                                                            |                                          |                            |                                                  | 335,000.00                                      |
| <b>Change in Net Position</b>         | (4,417,305.01)                                             |                                          | (37,473.08)                | 17,741.08                                        | (117,389.27)                                    |
| Total Net Position - Beginning        | 22,229,628.11                                              |                                          | 7,377,990.35               | 330,447.24                                       | 29,938,065.70                                   |
| <b>Total Net Position - Ending</b>    | \$ 17,812,323.10                                           | \$ 0.00                                  | \$ 7,340,517.27            | \$ 348,188.32                                    | \$ 25,501,028.69                                |

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2014**

|                                                                                                           | Business-Type Activities - Enterprise Funds                |                                          |                            |                                                  | Total                    | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------|----------------------------|--------------------------------------------------|--------------------------|-------------------------------------------------------------|
|                                                                                                           | NEFEC<br>Risk Management<br>(Property/Casualty)<br>Program | NEFEC<br>Federal<br>Economic<br>Stimulus | NEFEC<br>Other<br>Programs | NEFEC<br>Employee Benefits<br>Program (Nonmajor) |                          |                                                             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                               |                                                            |                                          |                            |                                                  |                          |                                                             |
| Cash Received from Board Funds and Participants                                                           | \$ 14,719,323.91                                           | \$                                       | \$                         | \$ 46,285.90                                     | \$ 14,765,609.81         | \$ 9,167,388.90                                             |
| Cash Payments to Suppliers for Goods and Services                                                         | (8,006,150.24)                                             | (173,162.87)                             | (4,609,001.36)             | (4,385.37)                                       | (12,792,699.84)          | (9,622,255.96)                                              |
| Cash Payments to Employees for Services                                                                   | (239,186.41)                                               | (227,852.57)                             | (4,806,506.85)             | (33,849.71)                                      | (5,307,395.54)           | (66,826.60)                                                 |
| Cash Payments for Insurance Claims                                                                        | (6,106,590.00)                                             |                                          |                            |                                                  | (6,106,590.00)           |                                                             |
| Cash Payments for Policyholder Dividends                                                                  | (3,359,432.99)                                             |                                          |                            |                                                  | (3,359,432.99)           |                                                             |
| Cash Received from Other Operating Activities                                                             |                                                            |                                          | 5,439,456.09               |                                                  | 5,439,456.09             | 50,284.90                                                   |
| Cash Payments for Other Operating Activities                                                              | (57,077.07)                                                |                                          |                            | (94,680.30)                                      | (151,757.37)             |                                                             |
| <b>Net Cash Used by Operating Activities</b>                                                              | <b>(3,049,112.80)</b>                                      | <b>(401,015.44)</b>                      | <b>(3,976,052.12)</b>      | <b>(86,629.48)</b>                               | <b>(7,512,809.84)</b>    | <b>(471,408.76)</b>                                         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                                    |                                                            |                                          |                            |                                                  |                          |                                                             |
| Cash Received from Federal and State Grants                                                               |                                                            | 401,015.44                               | 4,510,772.98               |                                                  | 4,911,788.42             |                                                             |
| Transfer from Other Funds                                                                                 |                                                            |                                          |                            |                                                  |                          | 335,000.00                                                  |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                                               |                                                            | <b>401,015.44</b>                        | <b>4,510,772.98</b>        |                                                  | <b>4,911,788.42</b>      | <b>335,000.00</b>                                           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING<br/>ACTIVITIES</b>                                       |                                                            |                                          |                            |                                                  |                          |                                                             |
| Acquisition of Capital Assets                                                                             |                                                            |                                          | (88,756.60)                |                                                  | (88,756.60)              |                                                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                               |                                                            |                                          |                            |                                                  |                          |                                                             |
| Sale of Investments                                                                                       | 193,962.22                                                 |                                          | 73,122.96                  | 3,478.48                                         | 270,563.66               | 3,477.75                                                    |
| Interest Income                                                                                           | 56,111.63                                                  |                                          | 18,381.82                  | 739.00                                           | 75,232.45                | 1,453.68                                                    |
| <b>Net Cash Provided by Investing Activities</b>                                                          | <b>250,073.85</b>                                          |                                          | <b>91,504.78</b>           | <b>4,217.48</b>                                  | <b>345,796.11</b>        | <b>4,931.43</b>                                             |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                               | <b>(2,799,038.95)</b>                                      |                                          | <b>537,469.04</b>          | <b>(82,412.00)</b>                               | <b>(2,343,981.91)</b>    | <b>(131,477.33)</b>                                         |
| Cash and Cash Equivalents, Beginning                                                                      | 30,136,719.39                                              |                                          | 6,036,613.59               | 605,346.82                                       | 36,778,679.80            | 145,053.28                                                  |
| <b>Cash and Cash Equivalents, Ending</b>                                                                  | <b>\$ 27,337,680.44</b>                                    | <b>\$ 0.00</b>                           | <b>\$ 6,574,082.63</b>     | <b>\$ 522,934.82</b>                             | <b>\$ 34,434,697.89</b>  | <b>\$ 13,575.95</b>                                         |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b> |                                                            |                                          |                            |                                                  |                          |                                                             |
| Operating Income (Loss)                                                                                   | \$ (4,523,342.97)                                          | \$ (401,015.44)                          | \$ (4,679,563.68)          | \$ 16,402.80                                     | \$ (9,587,519.29)        | \$ (453,842.95)                                             |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash<br>Used by Operating Activities:             |                                                            |                                          |                            |                                                  |                          |                                                             |
| Depreciation                                                                                              | 6,935.00                                                   |                                          | 725,349.88                 |                                                  | 732,284.88               |                                                             |
| Changes in Assets and Liabilities:                                                                        |                                                            |                                          |                            |                                                  |                          |                                                             |
| Accounts Receivable                                                                                       | (890.20)                                                   |                                          | (76,005.94)                | (36.00)                                          | (76,932.14)              | 3,221.07                                                    |
| Due from Other Funds                                                                                      |                                                            |                                          | 4,485.07                   |                                                  | 4,485.07                 |                                                             |
| Due from Other Agencies                                                                                   | (1,565.25)                                                 |                                          |                            | (30,594.19)                                      | (32,159.44)              | 50,284.90                                                   |
| Due from Excess Insurer                                                                                   | (55,511.82)                                                |                                          |                            |                                                  | (55,511.82)              |                                                             |
| Accounts Payable                                                                                          | 18,300.29                                                  |                                          | 251,808.13                 | 3,857.55                                         | 273,965.97               | (71,331.70)                                                 |
| Salaries and Benefits Payable                                                                             | 20,819.55                                                  |                                          | (43,589.18)                | (1,342.74)                                       | (24,112.37)              | 259.92                                                      |
| Due to Other Funds                                                                                        |                                                            |                                          |                            |                                                  |                          |                                                             |
| Due to Other Agencies                                                                                     |                                                            |                                          |                            | (64,086.11)                                      | (64,086.11)              |                                                             |
| Estimated Insurance Claims Payable                                                                        | 1,463,000.00                                               |                                          |                            |                                                  | 1,463,000.00             |                                                             |
| Compensated Absences Payable                                                                              | 19,501.74                                                  |                                          | (199,576.73)               | (11,255.65)                                      | (191,330.64)             |                                                             |
| Other Postemployment Benefits Payable                                                                     | 3,640.86                                                   |                                          | 41,040.33                  | 424.86                                           | 45,106.05                |                                                             |
| <b>Total Adjustments</b>                                                                                  | <b>1,474,230.17</b>                                        |                                          | <b>703,511.56</b>          | <b>(103,032.28)</b>                              | <b>2,074,709.45</b>      | <b>(17,565.81)</b>                                          |
| <b>Net Cash Used by Operating Activities</b>                                                              | <b>\$ (3,049,112.80)</b>                                   | <b>\$ (401,015.44)</b>                   | <b>\$ (3,976,052.12)</b>   | <b>\$ (86,629.48)</b>                            | <b>\$ (7,512,809.84)</b> | <b>\$ (471,408.76)</b>                                      |
| <b>Noncash Investing, Capital, and Financing Activities</b>                                               |                                                            |                                          |                            |                                                  |                          |                                                             |
| Change in Fair Value of Investments                                                                       | \$ 49,926.33                                               | \$ 0.00                                  | \$ 18,821.98               | \$ 599.28                                        | \$ 69,347.59             | \$ 0.00                                                     |

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2014**

|                           | Agency<br>Funds      |
|---------------------------|----------------------|
|                           | <hr/>                |
| <b>ASSETS</b>             |                      |
| Cash and Cash Equivalents | \$ 698,826.00        |
| Investments               | 966.00               |
|                           | <hr/>                |
| <b>TOTAL ASSETS</b>       | <b>\$ 699,792.00</b> |
|                           | <hr/>                |
| <b>LIABILITIES</b>        |                      |
| Accounts Payable          | \$ 86.00             |
| Internal Accounts Payable | 699,706.00           |
|                           | <hr/>                |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 699,792.00</b> |
|                           | <hr/>                |

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Putnam County School District's (District) governmental activities and for each segment of the business-type 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 student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

**B. Reporting Entity**

The Putnam 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 Putnam County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component units are included within the District's reporting entity:

**Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of the District's component units. A separate column is used to emphasize that they are legally separate from the District.

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

The charter schools are The Children's Reading Center Charter School, the Putnam Academy of Arts and Sciences, and beginning during the 2013-14 fiscal year, the Putnam EDGE High School. The general operating authority of the charter schools is contained in Section 1002.33, Florida Statutes. The Children's Reading Center, Inc., which owns and operates the Children's Reading Center Charter School, the Putnam Academy of Arts and Sciences, Inc., which owns and operates the Putnam Academy of Arts and Sciences, and the Putnam EDGE for Educational Excellence, Inc., which owns and operates the Putnam EDGE High School are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act. The charter schools operate under charters approved by their sponsor, the Board. The District may choose not to renew the charters under grounds specified in the charters. During the term of the charters, the District may terminate the charters if good cause is shown. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools, and the District is responsible for the operation, control, and supervision of the public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2014. The audit reports are filed in the District's administrative offices.

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used, and net residual amounts between governmental and business-type activities.

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

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and the North East Florida Educational Consortium (NEFEC) Employee Benefits Program Fund are reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- 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, property and casualty insurance premiums transferred to and paid from the General Fund, and debt service payments on a note payable.

The District reports the following major enterprise funds:

- NEFEC Risk Management (Property/Casualty) Program Fund – to account for the NEFEC property/casualty self-insurance program (including worker's compensation), for which the District is fiscal agent.
- NEFEC Federal Economic Stimulus Fund – to account for certain Federal grant program resources which are administered by NEFEC.
- NEFEC Other Programs Fund – to account for the financial activities of NEFEC not accounted for in another fund.

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

- Internal Service Fund – to account for the District's group health insurance program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**E. Basis of Accounting**

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of fiscal 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. Allocation of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The Children's Reading Center Charter School is accounted for as a not-for-profit organization and uses the not-for-profit accounting model. The Putnam Academy of Arts and Sciences and Putnam EDGE High School are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. The statement of cash flows also considers as cash and cash equivalents those amounts on deposit with fiscal agents.

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

Investments classified as cash equivalents include a money market fund and 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 (SEC) Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. 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 on the moving-average basis, except that General Fund instructional materials and transportation inventories are stated at cost based on the last invoice, which approximates the first-in, first-out method, and 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

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than \$1,000. 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the unweighted average composite method for governmental activities and the straight-line method for business-type activities over the following estimated useful lives:

| <u>Description</u>                 | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Improvements Other Than Buildings  | 10 - 35 years          |
| Buildings and Fixed Equipment      | 15 - 50 years          |
| Furniture, Fixtures, and Equipment | 3 - 15 years           |
| Motor Vehicles                     | 5 - 10 years           |
| Computer Software                  | 5 years                |

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

**5. Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

**6. Net Position Flow Assumption**

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

**7. Fund Balance Flow Assumptions**

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to

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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 may include amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2014.

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. On August 17, 2010, the Board, by resolution, authorized the Chief Financial Officer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

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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 fiscal 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 fiscal year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

A schedule of revenue from State sources for the current fiscal 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 Putnam County Property Appraiser, and property taxes are collected by the Putnam County Tax Collector.

The Board adopted the 2013 tax levy on September 17, 2013. 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 Putnam County Tax Collector at fiscal year-end but not yet remitted to the District.

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

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**4. 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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for information technology services, and premiums for property, casualty, and workers' compensation insurance. Operating expenses include purchased services, salaries and benefits, materials and supplies, capital outlay, and depreciation related to information technology services provided, and purchased services, insurance claims, excess insurance premiums, policyholder dividends, and salaries and benefits related to insurance programs. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses consist primarily of purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**A. Cash Deposits with Financial Institutions**

*Custodial Credit Risk-Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. 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 based on month-end cash balances.

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**B. Investments**

As of June 30, 2014, the District had the following investments and maturities:

| Investments           | Maturities        | Fair Value           |
|-----------------------|-------------------|----------------------|
| SBA:                  |                   |                      |
| Florida PRIME (1)     | 40 Day Average    | \$ 611,164.86        |
| Fund B                | 2.86 Year Average | 160,864.53           |
| Debt Service Accounts | 6 Months          | 87,537.30            |
| Total Investments     |                   | <u>\$ 859,566.69</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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had weighted average days to maturity (WAM) of 40 days at June 30, 2014. 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, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; SEC 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 Board has adopted an investment policy that authorizes investing in qualified depositories, certificates of deposit, time deposits, securities of the United States Government, investment pools managed and directed by an approved agency of the State, and certain forms of investments authorized in accordance with Section 218.415, Florida Statutes.

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

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The District's investment 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.

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

|                                             | Beginning<br>Balance | Additions         | Deletions     | Ending<br>Balance |
|---------------------------------------------|----------------------|-------------------|---------------|-------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>              |                      |                   |               |                   |
| Capital Assets Not Being Depreciated:       |                      |                   |               |                   |
| Land                                        | \$ 1,546,386.35      | \$ 485,480.45     | \$            | \$ 2,031,866.80   |
| Construction in Progress (1)                | 89,929.80            | 1,155,767.19      | 352,488.42    | 893,208.57        |
| Total Capital Assets Not Being Depreciated  | 1,636,316.15         | 1,641,247.64      | 352,488.42    | 2,925,075.37      |
| Capital Assets Being Depreciated:           |                      |                   |               |                   |
| Improvements Other Than Buildings           | 7,226,422.84         | 70,340.00         |               | 7,296,762.84      |
| Buildings and Fixed Equipment               | 122,564,613.46       | 280,795.45        | 1,352.97      | 122,844,055.94    |
| Furniture, Fixtures, and Equipment          | 14,275,812.66        | 644,050.18        | 921,296.44    | 13,998,566.40     |
| Motor Vehicles                              | 9,340,807.33         | 1,803,442.38      | 817,585.00    | 10,326,664.71     |
| Computer Software                           | 1,325,295.51         |                   |               | 1,325,295.51      |
| Total Capital Assets Being Depreciated      | 154,732,951.80       | 2,798,628.01      | 1,740,234.41  | 155,791,345.40    |
| Less Accumulated Depreciation for:          |                      |                   |               |                   |
| Improvements Other Than Buildings           | 5,170,804.95         | 242,636.50        |               | 5,413,441.45      |
| Buildings and Fixed Equipment               | 83,686,370.45        | 3,582,363.41      | 1,352.97      | 87,267,380.89     |
| Furniture, Fixtures, and Equipment          | 11,887,909.74        | 811,389.61        | 921,296.44    | 11,778,002.91     |
| Motor Vehicles                              | 8,101,423.12         | 715,365.31        | 817,585.00    | 7,999,203.43      |
| Computer Software                           | 1,113,888.64         | 204,854.24        |               | 1,318,742.88      |
| Total Accumulated Depreciation              | 109,960,396.90       | 5,556,609.07      | 1,740,234.41  | 113,776,771.56    |
| Total Capital Assets Being Depreciated, Net | 44,772,554.90        | (2,757,981.06)    |               | 42,014,573.84     |
| Governmental Activities Capital Assets, Net | \$ 46,408,871.05     | \$ (1,116,733.42) | \$ 352,488.42 | \$ 44,939,649.21  |

Notes: (1) Additions to Construction in Progress includes \$297,649.33 for the purchase price of a building to be renovated for use by the District as an Administrative Building. However, the building is not included in the completed to date amount in note II.F for construction contract commitments because the Administrative Building was purchased under a separate contract and the purchase process was completed.

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|                                              | Beginning<br>Balance | Additions       | Deletions  | Ending<br>Balance |
|----------------------------------------------|----------------------|-----------------|------------|-------------------|
| BUSINESS-TYPE ACTIVITIES                     |                      |                 |            |                   |
| Capital Assets Not Being Depreciated:        |                      |                 |            |                   |
| Land                                         | \$ 45,000.00         | \$              | \$         | \$ 45,000.00      |
| Capital Assets Being Depreciated:            |                      |                 |            |                   |
| Improvements Other Than Buildings            | 5,343.00             | 1,345.00        |            | 6,688.00          |
| Buildings and Fixed Equipment                | 2,289,686.62         |                 |            | 2,289,686.62      |
| Furniture, Fixtures, and Equipment           | 1,496,271.04         | 18,528.00       | 67,361.13  | 1,447,437.91      |
| Motor Vehicles                               | 69,160.00            | 35,683.60       | 49,050.00  | 55,793.60         |
| Computer Software                            | 3,555,667.93         | 33,200.00       |            | 3,588,867.93      |
| Total Capital Assets Being Depreciated       | 7,416,128.59         | 88,756.60       | 116,411.13 | 7,388,474.06      |
| Less Accumulated Depreciation for:           |                      |                 |            |                   |
| Improvements Other Than Buildings            | 5,343.00             | 269.00          |            | 5,612.00          |
| Buildings and Fixed Equipment                | 1,429,896.89         | 84,655.88       |            | 1,514,552.77      |
| Furniture, Fixtures, and Equipment           | 1,247,065.00         | 110,956.77      | 67,361.13  | 1,290,660.64      |
| Motor Vehicles                               | 69,160.00            | 7,136.72        | 49,050.00  | 27,246.72         |
| Computer Software                            | 2,673,891.99         | 529,266.51      |            | 3,203,158.50      |
| Total Accumulated Depreciation               | 5,425,356.88         | 732,284.88      | 116,411.13 | 6,041,230.63      |
| Total Capital Assets Being Depreciated, Net  | 1,990,771.71         | (643,528.28)    |            | 1,347,243.43      |
| Business-Type Activities Capital Assets, Net | \$ 2,035,771.71      | \$ (643,528.28) | \$ 0.00    | \$ 1,392,243.43   |

Depreciation expense was charged to functions as follows:

| Function                                              | Amount          |
|-------------------------------------------------------|-----------------|
| GOVERNMENTAL ACTIVITIES                               |                 |
| Student Transportation Services                       | \$ 715,365.31   |
| Unallocated                                           | 4,841,243.76    |
| Total Depreciation Expense - Governmental Activities  | \$ 5,556,609.07 |
| BUSINESS-TYPE ACTIVITIES                              |                 |
| NEFEC Risk Management Programs                        | \$ 6,935.00     |
| NEFEC Other Programs                                  | 725,349.88      |
| Total Depreciation Expense - Business-Type Activities | \$ 732,284.88   |

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**D. Florida Retirement System**

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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, Senior Management Service, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

| Class                                 | Percent of Gross Salary |                 |
|---------------------------------------|-------------------------|-----------------|
|                                       | Employee                | Employer<br>(A) |
| FRS, Regular                          | 3.00                    | 6.95            |
| FRS, Elected County Officers          | 3.00                    | 33.03           |
| FRS, Senior Management Service        | 3.00                    | 18.31           |
| FRS, Special Risk Regular             | 3.00                    | 19.06           |
| DROP - Applicable to                  |                         |                 |
| Members from All of the Above Classes | 0.00                    | 12.84           |
| FRS, Reemployed Retiree               | (B)                     | (B)             |

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled \$4,135,874.60, \$4,265,251.38, and \$5,850,477.82, respectively, which were equal to the required contributions for each fiscal year.

There were 183 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled \$646,586.32, which was equal to the required contribution for the 2013-14 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, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at [rep@dms.myflorida.com](mailto:rep@dms.myflorida.com); or at the Division's Web site ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

**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, prescription drug, and life insurance coverage. The District subsidizes the premium rates

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paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to negotiated union bargaining agreements. Eligible employees are entitled to receive benefits provided under this defined benefit plan from the time of retirement until eligible to enroll in the Federal Medicare program for their primary coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 651 retirees received life insurance other postemployment benefits and 158 retirees received health and hospitalization other postemployment benefits. The District provided required contributions of \$664,300 toward the annual OPEB cost, net of retiree contributions totaling \$663,100, which represents 1 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.

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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:

| Description                                             | Amount               |
|---------------------------------------------------------|----------------------|
| Normal Cost (service cost for one year)                 | \$ 850,213           |
| Amortization of Unfunded Actuarial<br>Accrued Liability | 869,689              |
| Interest on Normal Cost and Amortization                | 60,198               |
| Annual Required Contribution                            | 1,780,100            |
| Interest on Net OPEB Obligation                         | 317,400              |
| Adjustment to Annual Required Contribution              | (335,400)            |
| Annual OPEB Cost (Expense)                              | 1,762,100            |
| Contribution Toward the OPEB Cost                       | (664,300)            |
| Change in Net OPEB Obligation                           | 1,097,800            |
| Net OPEB Obligation, Beginning of Year                  | 9,069,700            |
| Net OPEB Obligation, End of Year                        | <u>\$ 10,167,500</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2014, and the two preceding fiscal years, were as follows:

| Fiscal Year | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------|---------------------|-----------------------------------------------------|------------------------|
| 2011-12     | \$ 2,162,600        | 41.5%                                               | \$ 7,556,429           |
| 2012-13     | 2,254,471           | 32.9%                                               | 9,069,700              |
| 2013-14     | 1,762,100           | 37.7%                                               | 10,167,500             |

**Funded Status and Funding Progress.** As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$24,342,849, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$24,342,849 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$63,252,781, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 38.5 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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of July 1, 2013 used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2014, and to estimate the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5 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 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2013-14 fiscal year, reduced to an ultimate rate of 5 percent after 70 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

**F. Construction and 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 fiscal year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2014:

| Major Funds   |                                                         |                               |                                                    |                                   |                                |
|---------------|---------------------------------------------------------|-------------------------------|----------------------------------------------------|-----------------------------------|--------------------------------|
| General       | Special<br>Revenue -<br>Federal<br>Economic<br>Stimulus | Special<br>Revenue -<br>Other | Capital Projects -<br>Local Capital<br>Improvement | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| \$ 262,025.30 | \$ 333.54                                               | \$ 270,578.30                 | \$ 2,415,354.18                                    | \$ 1,171.45                       | \$ 2,949,462.77                |

**Construction Contracts.** Encumbrances include the following major construction contract commitments at fiscal year-end:

| Project                                                             | Contract<br>Amount | Completed<br>to Date | Balance<br>Committed |
|---------------------------------------------------------------------|--------------------|----------------------|----------------------|
| Renovation of Building Purchased for<br>New Administration Facility | \$ 2,596,358.27    | \$ 405,808.20        | \$ 2,190,550.07      |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**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 Putnam County District School Board is a member of NEFEC (see note III) and participates in NEFEC Risk Management Program (NEFEC RMP) relating to property and casualty insurance, under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management programs. NEFEC RMP for property and casualty insurance is a risk-sharing public entity pool that is self-sustaining through member assessments (premiums). Coverage is purchased through commercial companies for claims in excess of specified amounts. Activities applicable to NEFEC RMP are included in the business-type activities on the financial statements.

Although not a participant itself, the Board also acts as the fiscal agent for the NEFEC Employee Benefits Program (Program) that primarily includes employee dental, vision, and life self-insurance programs. Premiums charged to participating districts are based on each individual district's claims experience, and the Program operates essentially as an individually-funded plan by each participating district, with shared administrative costs and a pooling of plan assets for working capital. Ultimate liability for claims remains with the respective districts and, accordingly, the insurance risks are not transferred to the Program. Each participating district is responsible for any deficit in its account, and for payment for any pending claims should the district withdraw from the Program.

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

The District's employee group health insurance plans are being provided through a minimum premium commercial insurance program administered by an insurance company. Premiums are established annually by the insurance company based on the District's claims experience, and the program is governed by an accounting and retention agreement. The agreement provides that when earned premiums are less than the sum of incurred claims less claims in excess of the pooling point, pooled claim charge, and administrative charge, the deficit is retained by the insurance company; when earned premiums are more than the sum of incurred claims less claims in excess of the pooling point, pooled claim charge, and administrative charge, 50 percent of the excess is returned to the District; and, if the District cancels the agreement prior to April 30, 2015, any excess earned premiums will not be available for return to the District. The District experienced favorable claims experience for the January 1, 2011, to December 31, 2012, contract period, resulting in refund of \$74,008, which was deposited to District's group health insurance internal service fund during the 2012-13 fiscal year. In addition, the Board provides life insurance equivalent to each employee's salary rounded to the next \$1,000. The Board also offers a cafeteria plan to its employees, in which the employees select among a variety of plan benefits.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**H. Public Entity Risk Pool**

**Fund Description.** NEFEC RMP public entity risk pool was organized on July 1, 1982, to provide property and casualty insurance coverage for its member districts. NEFEC RMP was established under the authority of Sections 1001.42(12)(k), 111.072, 1001.42(11)(d), 1011.18(6), 440.38(6), and 768.28, Florida Statutes. NEFEC RMP was established to formulate, develop, and administer, on behalf of the member districts, a program of group self-insurance for achieving lower costs through the development of a comprehensive loss control program. If the assets of NEFEC RMP were to be exhausted, members would be responsible for their allocable portion of NEFEC RMP liabilities. NEFEC RMP members currently include 12 districts and the Florida Virtual School. Members may withdraw from NEFEC RMP by providing a 60 day written notice of intent to withdraw and may withdraw on the next anniversary date of the program. Annual assessments and increases are based on the assessment formula developed by the member districts.

**Summary of Significant Accounting Policies.**

- **Unpaid Claims Liabilities.** NEFEC RMP establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards. Accordingly, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability and workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect settlements, claim frequency, and other economic and social factors.
- **Excess Insurance.** NEFEC RMP has entered into agreements with various insurance companies to provide specific excess coverage for claim amounts above a stated amount on an individual claim basis and aggregate excess coverage when total claims minus specific excess coverage exceed the loss fund. The amount of \$354,556.33 in excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2014.
- **Investment Income.** Investment income is not treated as an offset to reserves.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Unpaid Claims Liabilities.**

The following schedule presents the changes in claims liability for the past two years in NEFEC RMP:

|                                                                           | <u>Reconciliation of Claims Liability</u> |                            |
|---------------------------------------------------------------------------|-------------------------------------------|----------------------------|
|                                                                           | <u>2012-13</u>                            | <u>2013-14</u>             |
| Estimated Insurance Claims Payable, Beginning of Fiscal Year              | <u>\$ 8,544,000</u>                       | <u>\$ 8,362,000</u>        |
| Incurred Claims and Claims Adjustment Expenses:                           |                                           |                            |
| Provision for Insured Events of Current Fiscal Year                       | 5,606,000                                 | 6,937,000                  |
| Increase (Decrease) in Provision for Insured Events of Prior Fiscal Years | (284,000)                                 | 196,000                    |
| Increase (Decrease) in Estimated Incurred Claims Assigned                 | <u>16,120</u>                             | <u>436,590</u>             |
| Total Incurred Claims and Claims Adjustment Expenses                      | <u>5,338,120</u>                          | <u>7,569,590</u>           |
| Payments:                                                                 |                                           |                            |
| Claims and Claims Adjustment Expenses Attributable to:                    |                                           |                            |
| Insured Events of the Current Fiscal Year                                 | 1,956,000                                 | 2,346,000                  |
| Insured Events of Prior Fiscal Years                                      | 3,865,000                                 | 3,508,000                  |
| Adjustments for Payments from Excess Insurers and Subrogation             | <u>(300,880)</u>                          | <u>252,590</u>             |
| Total Payments                                                            | <u>5,520,120</u>                          | <u>6,106,590</u>           |
| Estimated Insurance Claims Payable, End of Fiscal Year                    | <u><u>\$ 8,362,000</u></u>                | <u><u>\$ 9,825,000</u></u> |

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

Bonds payable at June 30, 2014, are as follows:

| <u>Bond Type</u>        | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rates<br/>(Percent)</u> | <u>Annual<br/>Maturity<br/>To</u> |
|-------------------------|-------------------------------|-----------------------------------------|-----------------------------------|
| State School Bonds:     |                               |                                         |                                   |
| Series 2005A            | \$ 55,000                     | 4 - 5                                   | 2025                              |
| Series 2005A, Refunding | 100,000                       | 5                                       | 2017                              |
| Series 2005B, Refunding | 140,000                       | 5                                       | 2018                              |
| Series 2008A            | 560,000                       | 4.25 - 5                                | 2028                              |
| Series 2009A, Refunding | 90,000                        | 5                                       | 2019                              |
| Series 2011A, Refunding | 190,000                       | 5                                       | 2015                              |
| Series 2014A, Refunding | <u>317,000</u>                | 2 - 5                                   | 2025                              |
| Total Bonds Payable     | <u><u>\$ 1,452,000</u></u>    |                                         |                                   |

**PUTNAM COUNTY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

The various bonds were issued to finance capital outlay projects of the District. 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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u>           | <u>Principal</u>       | <u>Interest</u>      |
|-----------------------------------|------------------------|------------------------|----------------------|
| State School Bonds:               |                        |                        |                      |
| 2015                              | \$ 391,852.77          | \$ 327,000.00          | \$ 64,852.77         |
| 2016                              | 208,362.50             | 154,000.00             | 54,362.50            |
| 2017                              | 167,142.50             | 120,000.00             | 47,142.50            |
| 2018                              | 157,392.50             | 116,000.00             | 41,392.50            |
| 2019                              | 119,642.50             | 84,000.00              | 35,642.50            |
| 2020-2024                         | 530,293.75             | 410,000.00             | 120,293.75           |
| 2025-2028                         | 270,092.50             | 241,000.00             | 29,092.50            |
| Total State School Bonds          | <u>\$ 1,844,779.02</u> | <u>\$ 1,452,000.00</u> | <u>\$ 392,779.02</u> |

**2. Note Payable**

On July 29, 2013, the District entered into a Master Tax-Exempt Lease-Purchase Agreement, to fund the purchase school buses. The agreement was entered into pursuant to Section 1011.14, Florida Statutes, and established a note payable to be repaid from certain ad valorem taxes and other legally available revenues. The note was issued at par for \$1,700,000, with a fixed interest rate of 1.2 percent.

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, note payable is as follows:

| <u>Fiscal Year<br/>Ending<br/>June 30</u> | <u>Total</u>           | <u>Principal</u>       | <u>Interest</u>     |
|-------------------------------------------|------------------------|------------------------|---------------------|
| 2015                                      | \$ 351,344.47          | \$ 333,892.27          | \$ 17,452.20        |
| 2016                                      | 351,344.46             | 337,919.39             | 13,425.07           |
| 2017                                      | 351,344.47             | 341,995.09             | 9,349.38            |
| 2018                                      | 351,344.46             | 346,119.94             | 5,224.52            |
| 2019                                      | 175,672.25             | 174,622.33             | 1,049.92            |
| Total                                     | <u>\$ 1,581,050.11</u> | <u>\$ 1,534,549.02</u> | <u>\$ 46,501.09</u> |

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. Changes in Long-Term Liabilities**

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

| Description                           | Beginning<br>Balance    | Additions              | Deductions             | Ending<br>Balance       | Due In<br>One Year     |
|---------------------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>        |                         |                        |                        |                         |                        |
| Bonds Payable                         | \$ 1,790,000.00         | \$ 317,000.00          | \$ 655,000.00          | \$ 1,452,000.00         | \$ 327,000.00          |
| Note Payable                          |                         | 1,700,000.00           | 165,450.98             | 1,534,549.02            | 333,892.27             |
| Compensated Absences Payable          | 9,495,769.93            | 3,935,482.26           | 3,357,109.64           | 10,074,142.55           | 2,014,828.50           |
| Other Postemployment Benefits Payable | 8,617,607.86            | 1,673,995.00           | 621,301.05             | 9,670,301.81            |                        |
| Total Governmental Activities         | <u>\$ 19,903,377.79</u> | <u>\$ 7,626,477.26</u> | <u>\$ 4,798,861.67</u> | <u>\$ 22,730,993.38</u> | <u>\$ 2,675,720.77</u> |
| <b>BUSINESS-TYPE ACTIVITIES</b>       |                         |                        |                        |                         |                        |
| Estimated Insurance Claims Payable    | \$ 8,362,000.00         | \$ 7,569,590.45        | \$ 6,106,590.45        | \$ 9,825,000.00         | \$ 3,659,000.00        |
| Compensated Absences Payable          | 1,006,565.32            | 298,318.42             | 489,649.06             | 815,234.68              | 163,046.94             |
| Other Postemployment Benefits Payable | 452,092.14              | 88,105.00              | 42,998.95              | 497,198.19              |                        |
| Total Business-Type Activities        | <u>\$ 9,820,657.46</u>  | <u>\$ 7,956,013.87</u> | <u>\$ 6,639,238.46</u> | <u>\$ 11,137,432.87</u> | <u>\$ 3,822,046.94</u> |

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds.

**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.

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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                   | \$ 2,548,593.01        | \$ 42,264.46           |
| Special Revenue:          |                        |                        |
| Federal Economic Stimulus |                        | 197,557.19             |
| Other                     |                        | 2,228,957.89           |
| Nonmajor Governmental     |                        | 123,275.01             |
| Enterprise:               |                        |                        |
| NEFEC Other Programs      | 43,564.05              | 102.51                 |
| Total                     | <u>\$ 2,592,157.06</u> | <u>\$ 2,592,157.06</u> |

The outstanding interfund balances resulted mainly from expenditure and reimbursement timing differences between funds. The interfund amounts represent temporary loans and are expected to be repaid within one fiscal 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 2013-14 fiscal year:

| Source                                                      | Amount                         |
|-------------------------------------------------------------|--------------------------------|
| Governmental Funds:                                         |                                |
| Florida Education Finance Program                           | \$ 39,836,197.00               |
| Categorical Educational Program - Class Size Reduction      | 11,511,224.00                  |
| Voluntary Prekindergarten Program                           | 694,935.64                     |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 503,375.24                     |
| Technology Transformation Grants for Rural School Districts | 410,768.78                     |
| Food Service Supplement                                     | 108,873.00                     |
| Discretionary Lottery Funds                                 | 100,554.00                     |
| Charter School Capital Outlay                               | 88,235.00                      |
| District Bandwidth Support                                  | 40,390.94                      |
| School Recognition                                          | 20,850.00                      |
| Miscellaneous                                               | 316,243.91                     |
| Subtotal Governmental Funds                                 | <u>53,631,647.51</u>           |
| Enterprise Funds:                                           |                                |
| Other State Grants and Contracts                            | <u>643,024.00</u>              |
| <b>Total</b>                                                | <b><u>\$ 54,274,671.51</u></b> |

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

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**2. Property Taxes**

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

|                                  | <u>Millages</u> | <u>Taxes Levied</u>  |
|----------------------------------|-----------------|----------------------|
| <u>GENERAL FUND</u>              |                 |                      |
| Nonvoted School Tax:             |                 |                      |
| Required Local Effort            | 5.108           | \$ 18,667,795        |
| Basic Discretionary Local Effort | 0.748           | 2,733,628            |
| <u>CAPITAL PROJECTS FUNDS</u>    |                 |                      |
| Nonvoted Tax:                    |                 |                      |
| Local Capital Improvements       | 1.500           | 5,481,979            |
| Total                            | <u>7.356</u>    | <u>\$ 26,883,402</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                   | \$ 3,628,341        | \$ 335,000           |
| Capital Projects:         |                     |                      |
| Local Capital Improvement |                     | 3,547,317            |
| Nonmajor Governmental     |                     | 81,024               |
| Internal Service          | <u>335,000</u>      |                      |
| Total                     | <u>\$ 3,963,341</u> | <u>\$ 3,963,341</u>  |

Transfers from the Capital Projects – Local Capital Improvement Fund to the General Fund were for facilities maintenance work and property and casualty insurance premiums. Transfers from the General Fund to the Internal Service Fund were to provide funding for employee group health insurance premiums.

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**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**III. CONSORTIUMS**

The District is a member of, and fiscal agent for, NEFEC. NEFEC offers risk management programs for property and casualty (including workers' compensation) and employee benefits (dental, vision, and life) self-insurance, and information technology and other contracted services. NEFEC also provides for the purchase of certain materials, supplies, equipment, and services to be used by member districts. NEFEC is governed by a board of directors composed of the superintendents of the participating school districts. As fiscal agent, the District has established enterprise funds to account for NEFEC's resources and operations.

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2014**

|                                                          | General Fund           |                        |                        |                                                           |
|----------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------------------------------------------|
|                                                          | Original<br>Budget     | Final<br>Budget        | Actual                 | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues</b>                                          |                        |                        |                        |                                                           |
| Intergovernmental:                                       |                        |                        |                        |                                                           |
| Federal Direct                                           | \$ 195,000.00          | \$ 195,000.00          | \$ 194,976.07          | \$ (23.93)                                                |
| Federal Through State and Local                          | 555,000.00             | 555,000.00             | 867,448.06             | 312,448.06                                                |
| State                                                    | 53,032,329.00          | 53,146,843.04          | 52,451,680.10          | (695,162.94)                                              |
| Local:                                                   |                        |                        |                        |                                                           |
| Property Taxes                                           | 19,913,637.00          | 19,893,233.00          | 20,751,568.11          | 858,335.11                                                |
| Miscellaneous                                            | 1,938,207.00           | 2,169,042.15           | 2,253,340.34           | 84,298.19                                                 |
| Total Local Revenues                                     | <u>21,851,844.00</u>   | <u>22,062,275.15</u>   | <u>23,004,908.45</u>   | <u>942,633.30</u>                                         |
| <b>Total Revenues</b>                                    | <u>75,634,173.00</u>   | <u>75,959,118.19</u>   | <u>76,519,012.68</u>   | <u>559,894.49</u>                                         |
| <b>Expenditures</b>                                      |                        |                        |                        |                                                           |
| Current - Education:                                     |                        |                        |                        |                                                           |
| Instruction                                              | 47,661,157.90          | 50,041,997.15          | 47,353,423.53          | 2,688,573.62                                              |
| Student Personnel Services                               | 3,614,838.27           | 3,740,780.40           | 3,584,378.22           | 156,402.18                                                |
| Instructional Media Services                             | 2,967,308.74           | 3,095,747.65           | 2,815,518.76           | 280,228.89                                                |
| Instruction and Curriculum Development Services          | 1,356,909.69           | 1,333,400.93           | 1,315,380.04           | 18,020.89                                                 |
| Instructional Staff Training Services                    | 118,113.00             | 91,284.93              | 91,284.93              |                                                           |
| Instruction Related Technology                           |                        |                        |                        |                                                           |
| School Board                                             | 1,377,388.00           | 543,321.74             | 543,292.51             | 29.23                                                     |
| General Administration                                   | 483,461.50             | 575,413.70             | 581,705.54             | (6,291.84)                                                |
| School Administration                                    | 5,686,958.46           | 5,916,616.96           | 5,908,137.69           | 8,479.27                                                  |
| Facilities Acquisition and Construction                  | 194.63                 | 635,559.69             | 19,698.62              | 615,861.07                                                |
| Fiscal Services                                          | 740,352.00             | 947,421.33             | 781,913.71             | 165,507.62                                                |
| Food Services                                            |                        | 52,748.86              | 52,748.86              |                                                           |
| Central Services                                         | 1,177,898.36           | 1,116,888.92           | 1,114,846.60           | 2,042.32                                                  |
| Student Transportation Services                          | 4,839,880.59           | 5,125,738.37           | 5,124,914.78           | 823.59                                                    |
| Operation of Plant                                       | 8,473,473.00           | 6,840,246.12           | 6,811,084.19           | 29,161.93                                                 |
| Maintenance of Plant                                     | 3,164,604.78           | 3,321,108.04           | 3,000,330.48           | 320,777.56                                                |
| Administrative Technology Services                       | 865,660.00             | 457,452.89             | 456,399.85             | 1,053.04                                                  |
| Community Services                                       | 2,500.00               | 18,354.56              | 18,354.56              |                                                           |
| Fixed Capital Outlay:                                    |                        |                        |                        |                                                           |
| Facilities Acquisition and Construction                  |                        | 62,531.81              | 62,531.81              |                                                           |
| Other Capital Outlay                                     |                        | 98,588.68              | 98,588.68              |                                                           |
| <b>Total Expenditures</b>                                | <u>82,530,698.92</u>   | <u>84,015,202.73</u>   | <u>79,734,533.36</u>   | <u>4,280,669.37</u>                                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>(6,896,525.92)</u>  | <u>(8,056,084.54)</u>  | <u>(3,215,520.68)</u>  | <u>4,840,563.86</u>                                       |
| <b>Other Financing Sources (Uses)</b>                    |                        |                        |                        |                                                           |
| Transfers In                                             | 3,947,317.00           | 4,035,912.00           | 3,628,341.00           | (407,571.00)                                              |
| Insurance Loss Recoveries                                | 20,000.00              | 20,000.00              | 12,676.68              | (7,323.32)                                                |
| Transfers Out                                            |                        | (335,000.00)           | (335,000.00)           |                                                           |
| <b>Total Other Financing Sources</b>                     | <u>3,967,317.00</u>    | <u>3,720,912.00</u>    | <u>3,306,017.68</u>    | <u>(414,894.32)</u>                                       |
| <b>Net Change in Fund Balances</b>                       | <u>(2,929,208.92)</u>  | <u>(4,335,172.54)</u>  | <u>90,497.00</u>       | <u>4,425,669.54</u>                                       |
| Fund Balances, Beginning                                 | <u>7,398,449.28</u>    | <u>7,398,449.28</u>    | <u>7,398,449.28</u>    |                                                           |
| <b>Fund Balances, Ending</b>                             | <u>\$ 4,469,240.36</u> | <u>\$ 3,063,276.74</u> | <u>\$ 7,488,946.28</u> | <u>\$ 4,425,669.54</u>                                    |

| Special Revenue - Federal Economic Stimulus Fund |                                     |                                     |                                                           | Special Revenue - Other Fund    |                                           |                                           |                                                           |
|--------------------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------------------------------|---------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------------------------|
| Original<br>Budget                               | Final<br>Budget                     | Actual                              | Variance with<br>Final Budget -<br>Positive<br>(Negative) | Original<br>Budget              | Final<br>Budget                           | Actual                                    | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| \$ 596,901.92                                    | \$ 978,327.98                       | \$ 967,946.11                       | \$ (10,381.87)                                            | \$ 1,922,905.90<br>2,749,315.18 | \$ 1,922,905.90<br>15,361,819.26          | \$ 1,913,744.18<br>11,850,567.95          | \$ (9,161.72)<br>(3,511,251.31)                           |
| 596,901.92                                       | 978,327.98                          | 967,946.11                          | (10,381.87)                                               | 4,672,221.08                    | 17,284,725.16                             | 13,764,312.13                             | (3,520,413.03)                                            |
| 586,102.81                                       | 99,381.34                           | 99,167.60                           | 213.74                                                    | 3,602,869.13<br>199,944.64      | 9,867,297.43<br>1,544,484.55<br>218.37    | 7,559,331.51<br>1,544,484.55<br>218.37    | 2,307,965.92                                              |
| 1,492.41                                         | 46,500.00<br>5,958.21<br>559,517.59 | 39,217.65<br>4,465.80<br>559,513.22 | 7,282.35<br>1,492.41<br>4.37                              | 494,122.63<br>300,080.00        | 2,444,616.21<br>1,937,594.20<br>10,443.71 | 1,792,775.66<br>1,531,623.76<br>10,443.71 | 651,840.55<br>405,970.44                                  |
|                                                  | 2,656.16<br>18,000.00               | 2,656.16<br>16,611.00               | 1,389.00                                                  |                                 | 1,014,509.85<br>5,853.91<br>250.00        | 869,495.10<br>5,853.91                    | 145,014.75<br>250.00                                      |
|                                                  |                                     |                                     |                                                           |                                 | 292,325.31<br>8,144.27                    | 249,212.88<br>5,854.43                    | 43,112.43<br>2,289.84                                     |
|                                                  |                                     |                                     |                                                           |                                 | 39,415.10                                 | 75,446.00                                 | (36,030.90)                                               |
|                                                  | 246,314.68                          | 246,314.68                          |                                                           |                                 | 119,572.25                                | 119,572.25                                |                                                           |
| 587,595.22                                       | 978,327.98                          | 967,946.11                          | 10,381.87                                                 | 4,597,016.40                    | 17,284,725.16                             | 13,764,312.13                             | 3,520,413.03                                              |
| 9,306.70                                         |                                     |                                     |                                                           | 75,204.68                       |                                           |                                           |                                                           |
| 9,306.70                                         |                                     |                                     |                                                           | 75,204.68                       |                                           |                                           |                                                           |
| \$ 9,306.70                                      | \$ 0.00                             | \$ 0.00                             | \$ 0.00                                                   | \$ 75,204.68                    | \$ 0.00                                   | \$ 0.00                                   | \$ 0.00                                                   |

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL)<br>(1) | Unfunded<br>AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|--------------------------------|------------------------------|------------------------------------------------|------------------------|--------------|-----------------|-----------------------------------------------|
|                                | (A)                          | (B)                                            | (B-A)                  | (A/B)        | (C)             | [(B-A)/C]                                     |
| July 1, 2009                   | \$ 0                         | \$ 25,093,825                                  | \$ 25,093,825          | 0.0%         | \$ 64,962,500   | 38.6%                                         |
| July 1, 2011                   | 0                            | 24,980,500                                     | 24,980,500             | 0.0%         | 61,564,800      | 40.6%                                         |
| July 1, 2013                   | 0                            | 24,342,849                                     | 24,342,849             | 0.0%         | 63,252,781      | 38.5%                                         |

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

PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - TEN-YEAR CLAIMS DEVELOPMENT INFORMATION -  
NORTH EAST FLORIDA EDUCATIONAL CONSORTIUM RISK MANAGEMENT PROPERTY/CASUALTY PROGRAM  
For the Fiscal Year Ended June 30, 2014

|                                                                                       | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          |
|---------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Earned Required Contribution and Investment Revenues:                             |               |               |               |               |               |               |               |               |               |               |
| Earned                                                                                | \$ 14,550,526 | \$ 13,634,123 | \$ 16,964,979 | \$ 17,082,175 | \$ 15,303,151 | \$ 15,304,938 | \$ 14,363,068 | \$ 13,578,330 | \$ 15,016,589 | \$ 14,825,362 |
| Excess Insured                                                                        | 4,973,645     | 4,439,275     | 7,619,617     | 7,996,481     | 6,850,872     | 6,805,867     | 6,676,729     | 6,428,422     | 7,583,300     | 7,403,686     |
| Total Net Earned Required Contribution and Investment Revenues                        | 9,576,881     | 9,194,848     | 9,345,362     | 9,085,694     | 8,452,279     | 8,499,071     | 7,686,339     | 7,149,908     | 7,433,289     | 7,421,676     |
| Unallocated Expenses                                                                  | 543,573       | 1,411,089     | 1,474,414     | 1,642,152     | 1,602,246     | 1,069,895     | 2,131,357     | 3,585,429     | 4,066,334     | 4,269,391     |
| Estimated Incurred Claims and Expenses, End of Policy Year:                           |               |               |               |               |               |               |               |               |               |               |
| Incurred                                                                              | 6,587,000     | 7,065,000     | 6,208,000     | 6,551,000     | 5,026,000     | 5,163,000     | 5,101,000     | 5,701,000     | 5,606,000     | 6,937,000     |
| Net Paid (Cumulative) as of:                                                          |               |               |               |               |               |               |               |               |               |               |
| End of Policy Year                                                                    | 1,679,000     | 1,844,000     | 1,899,000     | 2,178,000     | 1,554,000     | 1,650,000     | 1,952,000     | 2,002,000     | 1,956,000     | 2,346,000     |
| One Year Later                                                                        | 2,966,000     | 2,933,000     | 2,778,000     | 3,554,000     | 3,309,000     | 3,305,000     | 3,632,000     | 3,603,000     | 3,746,000     |               |
| Two Years Later                                                                       | 3,366,000     | 3,397,000     | 3,484,000     | 4,360,000     | 3,879,000     | 3,913,000     | 4,204,000     | 4,616,000     |               |               |
| Three Years Later                                                                     | 3,546,000     | 3,857,000     | 3,827,000     | 4,695,000     | 4,473,000     | 4,525,000     | 4,559,000     |               |               |               |
| Four Years Later                                                                      | 3,586,000     | 4,090,000     | 3,989,000     | 4,982,000     | 4,869,000     | 4,763,000     |               |               |               |               |
| Five Years Later                                                                      | 3,595,000     | 4,200,000     | 4,077,000     | 5,109,000     | 5,017,000     |               |               |               |               |               |
| Six Years Later                                                                       | 3,623,000     | 4,217,000     | 4,112,000     | 5,156,000     |               |               |               |               |               |               |
| Seven Years Later                                                                     | 3,720,000     | 4,218,000     | 4,207,000     |               |               |               |               |               |               |               |
| Eight Years Later                                                                     | 3,720,000     | 4,221,000     |               |               |               |               |               |               |               |               |
| Nine Years Later                                                                      | 3,723,000     |               |               |               |               |               |               |               |               |               |
| Reestimated Excess Insured Claims and Expenses                                        | (1)           | (1)           | (1)           | (1)           | (1)           | (1)           | (1)           | (1)           | (1)           | (1)           |
| Reestimated Net Incurred Claims and Expenses:                                         |               |               |               |               |               |               |               |               |               |               |
| End of Policy Year                                                                    | 6,587,000     | 7,065,000     | 6,208,000     | 6,551,000     | 5,026,000     | 5,163,000     | 5,101,000     | 5,701,000     | 5,606,000     | 6,937,000     |
| One Year Later                                                                        | 5,153,000     | 5,332,000     | 5,061,000     | 5,529,000     | 5,490,000     | 4,947,000     | 5,234,000     | 5,558,000     | 6,118,000     |               |
| Two Years Later                                                                       | 4,685,000     | 4,869,000     | 4,557,000     | 5,771,000     | 5,032,000     | 4,964,000     | 5,413,000     | 5,898,000     |               |               |
| Three Years Later                                                                     | 4,353,000     | 4,595,000     | 4,549,000     | 5,327,000     | 5,146,000     | 5,169,000     | 5,123,000     |               |               |               |
| Four Years Later                                                                      | 4,087,000     | 4,570,000     | 4,360,000     | 5,417,000     | 5,238,000     | 5,086,000     |               |               |               |               |
| Five Years Later                                                                      | 3,891,000     | 4,489,000     | 4,314,000     | 5,337,000     | 5,190,000     |               |               |               |               |               |
| Six Years Later                                                                       | 3,897,000     | 4,387,000     | 4,278,000     | 5,282,000     |               |               |               |               |               |               |
| Seven Years Later                                                                     | 3,774,000     | 4,345,000     | 4,306,000     |               |               |               |               |               |               |               |
| Eight Years Later                                                                     | 3,720,000     | 4,278,000     |               |               |               |               |               |               |               |               |
| Nine Years Later                                                                      | 3,724,000     |               |               |               |               |               |               |               |               |               |
| Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year | (2,863,000)   | (2,787,000)   | (1,902,000)   | (1,269,000)   | 164,000       | (77,000)      | 22,000        | 197,000       | 512,000       | 0             |

Note: (1) Information relating to excess insured is not available.

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**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, student 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.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

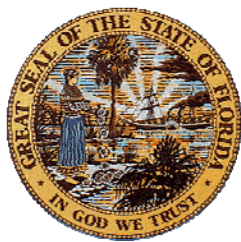
**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014**

| Federal Grantor/Pass-Through Grantor/Program Title                                                | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Pass -<br>Through<br>Grantor<br>Number | Amount of<br>Expenditures<br>(1) | Amount<br>Provided<br>to<br>Subrecipients |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------|----------------------------------|-------------------------------------------|
| <b>United States Department of Agriculture:</b>                                                   |                                                           |                                        |                                  |                                           |
| Indirect:                                                                                         |                                                           |                                        |                                  |                                           |
| Child Nutrition Cluster:                                                                          |                                                           |                                        |                                  |                                           |
| Florida Department of Agriculture and Consumer Services:                                          |                                                           |                                        |                                  |                                           |
| School Breakfast Program                                                                          | 10.553                                                    | 13002                                  | \$ 1,477,772.29                  | \$                                        |
| National School Lunch Program                                                                     | 10.555 (2)                                                | 13001, 13003                           | 4,359,769.93                     |                                           |
| Summer Food Service Program for Children                                                          | 10.559                                                    | 323, 325, 13006, 13007                 | 93,589.94                        |                                           |
| <b>Total Child Nutrition Cluster</b>                                                              |                                                           |                                        | <b>5,931,132.16</b>              |                                           |
| Florida Department of Agriculture and Consumer Services:                                          |                                                           |                                        |                                  |                                           |
| Fresh Fruit and Vegetable Program                                                                 | 10.582                                                    | 13004                                  | 79,931.31                        |                                           |
| Florida Department of Financial Services:                                                         |                                                           |                                        |                                  |                                           |
| Schools and Roads - Grants to States                                                              | 10.665                                                    | None                                   | 32,036.78                        |                                           |
| <b>Total United States Department of Agriculture</b>                                              |                                                           |                                        | <b>6,043,100.25</b>              |                                           |
| <b>United States Department of Labor:</b>                                                         |                                                           |                                        |                                  |                                           |
| Indirect:                                                                                         |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                                                  |                                                           |                                        |                                  |                                           |
| National Farmworker Jobs Program                                                                  | 17.264                                                    | 405                                    | 94,077.11                        |                                           |
| <b>United States Department of Education:</b>                                                     |                                                           |                                        |                                  |                                           |
| Direct:                                                                                           |                                                           |                                        |                                  |                                           |
| Fund for the Improvement of Education                                                             | 84.215                                                    | N/A                                    | 303,503.93                       |                                           |
| Teacher Incentive Fund                                                                            | 84.374                                                    | N/A                                    | 1,610,240.25                     |                                           |
| <b>Total Direct</b>                                                                               |                                                           |                                        | <b>1,913,744.18</b>              |                                           |
| Indirect:                                                                                         |                                                           |                                        |                                  |                                           |
| Special Education Cluster:                                                                        |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                                                  |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                                                              | 84.027                                                    | 262, 263                               | 5,092,918.44                     | 390,340.14                                |
| Special Education - Preschool Grants                                                              | 84.173                                                    | 266, 267                               | 226,268.48                       |                                           |
| <b>Total Special Education Cluster</b>                                                            |                                                           |                                        | <b>5,319,186.92</b>              | <b>390,340.14</b>                         |
| Florida Department of Education:                                                                  |                                                           |                                        |                                  |                                           |
| Title I Grants to Local Educational Agencies                                                      | 84.010                                                    | 212, 226                               | 5,161,879.32                     |                                           |
| Migrant Education - State Grant Program                                                           | 84.011                                                    | 217                                    | 467,647.52                       |                                           |
| Career and Technical Education - Basic Grants to States                                           | 84.048                                                    | 161                                    | 196,555.00                       |                                           |
| Education for Homeless Children and Youth                                                         | 84.196                                                    | 127                                    | 77,108.01                        |                                           |
| Charter Schools                                                                                   | 84.282                                                    | 298                                    | 331,000.55                       | 331,000.55                                |
| Twenty-First Century Community Learning Centers                                                   | 84.287                                                    | 244                                    | 1,170,046.45                     |                                           |
| Special Education - State Personnel Development                                                   | 84.323                                                    | 170                                    | 465,918.70                       | 403,670.90                                |
| Rural Education                                                                                   | 84.358                                                    | 110                                    | 216,866.39                       |                                           |
| English Language Acquisition State Grants                                                         | 84.365                                                    | 102                                    | 93,959.45                        |                                           |
| Improving Teacher Quality State Grants                                                            | 84.367                                                    | 224                                    | 1,054,967.17                     |                                           |
| ARRA - State Fiscal Stabilization Fund (SFSF) -<br>Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (3)                                                | RD211, RG311, RG411,<br>RG811, RL111   | 1,107,340.93                     | 66,814.70                                 |
| Washington County District School Board:                                                          |                                                           |                                        |                                  |                                           |
| ARRA - State Fiscal Stabilization Fund (SFSF)-<br>Race-to-the-Top Incentive Grants, Recovery Act  | 84.395 (3)                                                | None                                   | 261,620.62                       |                                           |
| <b>Total Indirect</b>                                                                             |                                                           |                                        | <b>15,924,097.03</b>             | <b>1,191,826.29</b>                       |
| <b>Total United States Department of Education</b>                                                |                                                           |                                        | <b>17,837,841.21</b>             | <b>1,191,826.29</b>                       |
| <b>United States Department of Defense:</b>                                                       |                                                           |                                        |                                  |                                           |
| Direct:                                                                                           |                                                           |                                        |                                  |                                           |
| Army Junior Reserve Officers Training Corps                                                       | None                                                      | N/A                                    | 194,976.07                       |                                           |
| <b>Total Expenditures of Federal Awards</b>                                                       |                                                           |                                        | <b>\$ 24,169,994.64</b>          | <b>\$ 1,191,826.29</b>                    |

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

(2) Noncash Assistance - National School Lunch Program. Includes \$430,605.75 of donated food received during the fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$1,368,961.55.



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

### Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam County District School Board, as of and for the fiscal year ended June 30, 2014, 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 25, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District'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 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. We did identify a certain deficiency in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency.

### 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.

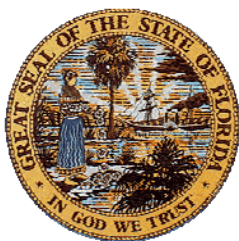
### Purpose of this Report

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 25, 2015



DAVID W. MARTIN, CPA  
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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 Putnam 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, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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, 2014.

***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. 2014-001 through 2014-005. 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2014-001 through 2014-005 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 25, 2015

## SUMMARY OF AUDITOR'S RESULTS

|                                                                                                                        |                                                 |
|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| 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                       |
| 84.287                                                                                                                 | Twenty-First Century Community Learning Centers |
| 84.374                                                                                                                 | Teacher Incentive Fund                          |
| Dollar threshold used to distinguish between Type A and Type B programs:                                               | \$725,099                                       |
| Auditee qualified as low-risk auditee?                                                                                 | No                                              |

**PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**FINANCIAL STATEMENT FINDING**

**SIGNIFICANT DEFICIENCY**

**Finding No. 1: Financial Reporting**

Our review of the District's 2013-14 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:

- On July 29, 2013, the District entered into a Master Tax-Exempt Lease/Purchase Agreement with a bank for \$1,700,000, with proceeds to be used to purchase school buses. On the government-wide financial statements, the District correctly recorded the note payable and additions to capital assets for the \$1,019,720 in school buses purchased, but did not record the \$680,280 of remaining cash on hand for the purchase of additional buses. In addition, in the fund financial statements, the District did not record the \$1,700,000 for the inception of the note payable, the \$1,019,720 capital outlay expenditure for the buses, or the \$680,280 of remaining cash on hand for the purchase of additional buses. Misreporting such transactions may cause financial statement users to incorrectly assess available cash balances and long-term debt financing activity.
- As required by FDOE, the District established a North East Florida Educational Consortium (NEFEC) – Federal Economic Stimulus Fund. However, the District did not correctly allocate the 2013-14 fiscal year other postemployment benefits (OPEB) expense to the NEFEC Federal Economic Stimulus Fund. The District incorrectly applied its OPEB expense allocation methodology to the June 30, 2014, year-end OPEB liability balance instead of to the 2013-14 fiscal year OPEB expense. As a result, the OPEB liability was overstated and the unrestricted net position was understated in the government-wide statement of net position and NEFEC Risk Management Fund by \$79,439.36 and \$3,616.04, respectively, and the OPEB liability was understated and total net position was overstated in the NEFEC Other Programs and Employee Benefits Program Funds by \$78,353.43, and \$4,701.97, respectively. Misreporting net position may cause financial statement users to 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. A similar finding was noted in our report No. 2014-170.

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

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**ADDITIONAL MATTERS**

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**Finding No. 2: Bank Account Reconciliations**

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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, 2014, the District reported cash and cash equivalents totaling \$49.3 million, of which cash in bank totaled \$48.7 million.

During the 2013-14 fiscal year, the District maintained 15 bank accounts. Two accountants in the Division of Fiscal Services Office were responsible for preparing bank account reconciliations, and the Chief Financial Officer was responsible for reviewing and approving the reconciliations. Our review of controls over District bank account reconciliations disclosed the following:

- Other than the main bank account that received most District revenues, the payroll clearing bank account had the most activity with deposits and disbursements of \$81 million each for the 2013-14 fiscal year. Monthly payroll bank account reconciliations for September 2013, October 2013, and December 2013 were not completed until January 27, 2014, January 28, 2014, and March 27, 2014, respectively. In addition, the District's reconciliations disclosed unidentified differences each month, ranging from \$127 to \$1,369, on the monthly payroll bank account reconciliations for the 2013-14 fiscal year. District personnel indicated that the unidentified differences were caused by the automated accounting system incorrectly handling certain transactions, such as Florida Retirement System (FRS) deductions and contributions recorded in previous months.
- The District maintained two food service accounts and reported a combined balance in these accounts of \$2.7 million at June 30, 2014. Monthly food service bank account reconciliations from July 2013 through June 2014 were not performed until August 2014. District personnel indicated that turnover in staff and a work backlog contributed to these reconciliations not being completed in a timely manner.

Failure to properly complete bank account reconciliations in a timely manner increases the risk that errors or fraud could occur and not be promptly detected. Similar findings were noted in our report Nos. 2013-166 and 2014-170.

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**Recommendation: The District should enhance its procedures to ensure bank account reconciliations are timely and properly completed, including prompt investigation and resolution of any differences.**

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**Finding No. 3: Electronic Funds Transfers**

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Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transactions for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 688, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities.

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

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

During the 2013-14 fiscal year, the District regularly used EFTs for retirement benefits, Federal withholding taxes, direct deposits of employee pay, and transactions between District bank accounts. According to District records, cash in bank totaling \$14.2 million was available for electronic transfers at June 30, 2014.

The District used informal processes, including the use of an encrypted user authorization service, supervisory review of EFT transactions through e-mail notifications from the bank, and independent approval of manual accounting entries for electronic transactions to control and monitor EFTs. However, controls over EFT processes could be enhanced, as follows:

- While the Board had adopted a written policy requiring written EFT procedures to establish the internal controls required by State law and SBE rules, written EFT procedures had not, as of the time of our review in January 2015, been completed prescribing the accounting and control procedures for EFTs, including the use of electronic signatures.
- The District established a bank agreement dated August 17, 2010, signed by the Superintendent, the Board Chair, and two District employees designated as system administrators who could add, delete, or revise the capabilities (user profiles) of individuals authorized to make EFTs. However, the bank agreement lacked the manual signatures of 5 of the 7 individuals identified to initiate or authorize EFTs, contrary to SBE Rule 6A-1.0012, FAC. Subsequent to our inquiry, the District provided a list of authorized users and manual signatures to the bank in January 2015.
- Contrary to an appropriate separation of duties, all seven individuals with EFT privileges could initiate and authorize EFTs without secondary approval.

While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without written procedures prescribing the accounting and control procedures for EFTs, including the use of electronic signatures, and appropriate separation of duties of initiating and authorizing EFTs, there is an increased risk of misappropriation of funds without timely detection. Similar findings were noted in our report Nos. 2013-166 and 2014-170.

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**Recommendation:** The District should revise its EFT policy to include written procedures that prescribe the accounting and control procedures for EFTs, including the use of electronic signatures. Also, the District should enhance its procedures to ensure appropriate separation of duties for initiating and authorizing EFTs.

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#### **Finding No. 4: Bus Drivers**

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SBE Rules 6A-3.0141(4) and (9), FAC, require that the District at least annually ensure that personnel, prior to transporting students on school buses, hold a valid commercial driver license with Passenger (P) and School Bus (S) endorsements and successfully complete a minimum of eight hours of in-service training related to the driver's responsibility for transporting students. SBE Rule 6A-3.0141(8), FAC, and Board policy provide that school bus drivers with expired, suspended, or revoked commercial vehicle driving licenses, or infractions making the driver unqualified for the position in accordance with the District's Safe Driver Plan, will not be allowed to drive a school bus.

The District employed 124 school bus drivers during the 2013-14 fiscal year. While District records indicated that monitoring procedures over bus drivers were generally adequate, our review of District bus driver records disclosed the following:

- One bus driver drove a school bus for the 2013-14 school year although the driver did not have the Passenger (P) or School Bus (S) endorsements required for operating a commercial motor vehicle designed to transport more than 16 students. District records indicated the individual began driving as a substitute bus driver in November 2012, which required the same endorsements as a full-time driver; however, the driver's license on file from September 2012 did not show the P or S endorsements. In response to our inquiry, the District provided documentation to show that the driver obtained the P and S endorsements on a driver's license issued November 8, 2014.
- One bus driver drove a school bus for the 2013-14 school year although the driver did not have the School Bus (S) endorsement required for operating a commercial motor vehicle used to transport students. District records indicated the individual began driving as a substitute bus driver in February 2012, which required the same endorsements as a full-time driver; however, the driver's license on file from November 2011 did not show the S endorsement. Subsequent to our inquiry, the driver obtained the S endorsement on a driver's license issued November 6, 2014.
- District records did not evidence that one bus driver successfully completed the required minimum eight hours of in-service training for the 2013-14 fiscal year.

In response to our inquiries, District personnel indicated that the matters described above resulted from administrative oversight. To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that District personnel maintain proper documentation that drivers hold valid commercial driver licenses and have completed in-service training to ensure the drivers meet the requirements to operate District school buses. A similar finding was noted in our report No. 2014-170.

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**Recommendation:** The District should enhance its procedures to ensure bus drivers meet the requirements to operate school buses. Such procedures should include verification that drivers obtain proper endorsements prior to employment, and maintenance of in-service training documentation.

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#### **Finding No. 5: School Safety and Security Department Employees**

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Pursuant to Section 1006.12(2)(a), Florida Statutes, the District established the School Safety and Security Department (Department) to provide school resource services for the protection and safety of school personnel, property, and students within the District. The District employed four law enforcement officers in the Department during the 2013-14 fiscal year, including a director, a coordinator, and two safety officers.

Florida Department of Management Services, Division Rule 60S-1.005, FAC, requires employees seeking FRS Special Risk Class membership to complete the appropriate FRS application for Special Risk Class membership and submit the application to their employer. The employer is required to promptly certify and submit the application to the Division along with a current job description of the member's duties showing the percentage of time spent performing each duty and a copy of a personnel action form showing the effective date of membership in that position. This Rule further provides that, if a member changes to another position within the same agency that is not an approved Special Risk Class position, the member must submit an application for the new position.

Our review of the Department's employee retirement classifications disclosed the following:

- In September 2009, the District submitted an application to the FRS for the Department Director with the job title of Administrative Coordinator of School Safety and Security that FRS accepted for Special Risk Class membership. The employee held the position of Director of School Safety and Security for the 2009-10 fiscal year, assistant principal for the 2010-11 fiscal year, Coordinator of Student Services from July 2011 to December 2012, Director of School Safety and Security from January 2013 to June 2, 2014, and Director of Operations from June 3, 2014. However, contrary to Division Rule 60S-1.005, FAC, the employee continued to be enrolled in Special Risk Class membership from July 2010 to October 2011, while an assistant principal

and Coordinator of Student Services, and was reenrolled in Special Risk Class effective February 2013 without submitting an application after changing to positions not previously approved for Special Risk Class membership. The Department Director continued Special Risk Class membership as of the time of our review in February 2015. In response to a similar finding in our report No. 2014-170, District personnel determined that this employee was not eligible for Special Risk Class membership for 1.33 years while an assistant principal and Coordinator of Student Services from July 2010 to October 2011 and District personnel were working with the FRS to submit corrections for the 1.33 years.

- In October 2003, the District submitted an application to the FRS for the Department Coordinator that listed a position title of Deputy Sheriff, Juvenile Crime Prevention Officer that the FRS accepted for Special Risk Class membership. However, while District records indicate that the Putnam County Sheriff's Office had a position with that title, the District did not have such a position title. Also, the employee's position description was Director of School Safety and Security for the 2011-12 fiscal year, Coordinator of School Safety and Security for the 2012-13 fiscal year and the 2013-14 fiscal year to June 2, 2014, and Coordinator of Operations from June 3, 2014. However, contrary to Division Rule 60S-1.005, FAC, the District did not submit new applications to the FRS after changing to positions not previously approved for Special Risk Class membership. Effective January 1, 2015, the Department Coordinator entered the FRS Deferred Retirement Option Program. In response to a similar finding in our report No. 2014-170, District personnel indicated they would file a Form 400 Application to have this employee's job description as Coordinator of School Safety and Security approved for Special Risk Class membership. However, as of the time of our review in February 2015, this had not been done.

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**Recommendation: The District should contact the Division regarding the appropriateness of Special Risk Class membership for the two Department employees.**

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#### **Finding No. 6: Health Insurance Plan**

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For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to contribute \$3,500 annually toward the health insurance of each full-time employee. Pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, except that retirees meeting certain years of service and age requirements were also eligible for the \$3,500 annual health insurance benefit. District personnel were responsible for deducting the insurance premium costs from employee pay, collecting insurance premiums from retirees, and depositing the proceeds into the District internal service fund account. Employees may enroll in the District's health insurance plan during open enrollment periods, and make changes to their coverage outside of open enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 1,141 employees who contributed a total of \$2.2 million and 177 retirees who contributed a total of \$0.7 million to participate in the District's health insurance plan, and the District contributed \$6.1 million toward the plan. Also, 181 dependents participated in the health insurance plan.

We noted the following in our tests of the District's administration of its health insurance program:

- The District provided health insurance coverage to 36 retirees that were not eligible because they did not meet the years of service or age requirements to qualify for the benefit. The District provided written agreements for these retirees authorizing the \$3,500 annual benefit until they reached age 65, signed by the employee, District Human Resources Director, and Union President. However, as the agreements were not approved by the Board, which is the contracting agent for the District pursuant to Section 1001.41(4), Florida Statutes, District records did not evidence these were valid legal agreements. The annual Board contribution provided for these retirees ranged from \$285.98 to \$3,500, and totaled \$106,394.93 for the 2013-14 fiscal year.
- The District miscalculated the retiree premium for 57 retirees, including 12 of the 36 discussed above that did not qualify for the benefit, resulting in undercharges to 57 retirees ranging from \$14.38 to \$7,568.80, totaling

\$88,792.95. The undercharges generally resulted from retirees not being charged for dependent coverage or amounts that exceeded the retirees' health insurance subsidy received from the FRS.

- The District did not have effective procedures for reconciling health insurance billings to payroll records and retiree insurance payments to ensure that health insurance payments were only for eligible participants. For example, our review of the May and June 2014 reconciliations disclosed differences between the number of employees from the payroll records and the health insurance billings of 2 and 4 employees, respectively, and differences between the calculated monthly premium and the health insurance billings of \$4,984.27 and \$3,304.76, respectively. However, the District paid the amounts billed by the insurance company without determining the cause for the differences in the number of employees and between the calculated premiums and the amounts billed.
- The District did not require employees or retirees purchasing health insurance for their dependents to provide documentation, such as birth certificates, evidencing the dependents' eligibility. Without verifying the eligibility of dependents covered through the District's health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants. Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Without adequate procedures for verifying dependent eligibility and reconciling monthly health insurance billings to payroll records and retiree insurance payments, the District is at increased risk of insuring ineligible dependents and providing healthcare coverage without receiving payment of required premiums.

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**Recommendation:** The District should enhance its procedures to ensure eligibility of health insurance program participants and the accuracy of billings for healthcare coverage. Such procedures could include reconciliations of health insurance billings to payroll records and retiree insurance payments and verification of eligibility of dependents covered by the District's health insurance plan. The Board should also clarify its position regarding health insurance benefits provided to former employees based on agreements that were not approved by the Board.

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#### **Finding No. 7: Compensation and Salary Schedules – Differentiated Pay**

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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.

The salary schedule and union contract provided for certain types of differentiated pay; however, without a Board-established documented process for determining which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2013-166 and 2014-170.

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**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.

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**Finding No. 8: Purchasing Card Rebates**

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The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing and vendor payment processes. The District is also fiscal agent of NEFEC, which maintains a P-card program, offered through a different financial institution, as an available procurement option for its purchasing and vendor payment processes. As an incentive, the District and NEFEC receive rebates from the financial institutions for each program, with the amounts determined based on the dollar amount of P-card purchases during annual periods. For the period June 1, 2013, through May 31, 2014, the District had P-card purchases totaling \$3.3 million resulting in receipt as of August 2014 of a \$35,747 rebate (reported as a receivable and revenue as of June 30, 2014). For the 2013 calendar year, NEFEC had P-card purchases totaling \$901,280, resulting in receipt as of May 2014 of \$11,941 of rebates.

The \$35,747 rebate received by the District included \$18,518 generated by purchases using restricted District moneys in the special revenue and capital projects funds, and the \$11,941 in rebates received by NEFEC included \$4,104 generated by purchases using restricted moneys in the NEFEC Federal Economic Stimulus and NEFEC Other Programs funds. However, the rebates were not allocated to the Federal awards or capital project funds from which the purchases were made, but were recognized as revenue in the District's General Fund and NEFEC's Other Programs Fund for general operating purposes.

For the rebates received from the District's P-card program, District personnel indicated they consider the staff time and effort that would be involved in determining the rebates applicable to the Federal programs justifies retaining the rebates in the General Fund, although procedures would be revised to allocate the rebates to other restricted fund sources. For the rebates received from NEFEC's P-card program, District personnel indicated that the program requires personnel to manage, monitor, and process purchases, the cost of which is not charged to the restricted fund sources. Notwithstanding the District's justification, as certain Federal and State resources are typically restricted by Federal or State law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate funding source, there is an increased risk that rebates generated by restricted sources may be used for purposes inconsistent with the restrictions on these resources. A similar finding was noted in our report No. 2014-170.

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**Recommendation:** The District should enhance its procedures to ensure the equitable allocation of rebates on P-card purchases. The District should also consult with the appropriate Federal cognizant agency and the FDOE for resolution on the use and allocation of rebates received on P-card purchases.

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**Finding No. 9: Purchasing Procedures**

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Board-adopted policies and District purchasing procedures prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, all bidders are required to disclose the name of any officer, director, or agent who is also a District employee.

The Superintendent, Board members, Chief Financial Officer, and Director of Purchasing were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. While statements of financial interests

were filed as required, these statements were not provided to personnel responsible for procurement decisions for review. Providing for routine review of required statements of financial interests by personnel responsible for procurement decisions would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

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**Recommendation:** The District should provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.

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**Finding No. 10: Information Technology - Access Privileges**

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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 outside of their areas of responsibility. 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 duties.

The District is fiscal agent and a participating member of NEFEC, which provides IT services to the participating members through the Educational Technology Service (ETS) data center. Also, the participating districts and institutions may have their own IT employees; however, the District had not developed procedures for or performed periodic reviews of access privileges. Our test of selected access privileges to the District's network and finance and human resources (HR) applications disclosed some access privileges that permitted employees to perform incompatible functions, indicating a need for periodic District review of access privileges. Specifically:

- Thirteen employees had update privileges to critical functions within the finance application, including the ability to add and update vendor records and addresses, add and change purchase orders, and process payments. In addition, 15 employees had the capability to add an employee within the HR application and had update privileges to one or more other critical functions within the HR application, including the ability to adjust salary records, create and run manual payroll checks, and update direct deposit information. The access privileges did not enforce an appropriate separation of end-user duties.
- Four accounts assigned to ETS employees and two accounts assigned to District employees had systemwide access privileges that allowed update access to all critical functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data files.

Although the District had controls in place (e.g., separation of the duties for initiating and approving purchases, adding and updating vendors, payroll updating and processing, and department supervisor monitoring of budget and actual expenditures) to compensate, in part, for the inappropriate application access privileges described above, the existence of these inappropriate access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. Without a periodic review of access privileges, there is an increased risk that the District may not timely detect and address inappropriate access privileges, should they exist. Similar findings were noted in our report Nos. 2013-166 and 2014-170.

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**Recommendation:** The District should restrict application access, including system access, to ensure that access privileges assigned enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities. In addition, the District should develop procedures for the periodic review of access privileges.

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**Finding No. 11: Information Technology – Timely Deactivation of Access Privileges**

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Effective management of IT access controls includes the timely deactivation of employee IT access privileges when an employee is terminated. Prompt action is necessary to ensure that IT access privileges are not misused by former employees or others to compromise data or IT resources.

According to the District's IT procedures manual, the HR department is responsible for notifying the Media & Information Services (MIS) department of employment terminations to ensure that access privileges of former employees are deactivated in a timely manner. Our review of access privileges for 161 former employees who terminated employment during the 2013-14 fiscal year disclosed that access privileges of former employees were generally timely deactivated. However, we noted that the access privileges of 3 former employees were deactivated from 248 to 483 days after termination of employment. District personnel indicated the untimely deactivations resulted from delays in transmitting termination information to the MIS department from schools and departments and in the HR department.

When access privileges of former employees are not timely deactivated, the risk is increased that the access privileges may be misused by the former employees or others. Similar findings were noted in our report Nos. 2013-166 and 2014-170.

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**Recommendation:** The District should continue its efforts to ensure that the access privileges of former employees are timely deactivated.

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**Finding No. 12: Information Technology – Data Loss Prevention**

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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. Similar findings were communicated to District management in connection with our report Nos. 2013-166 and 2014-170.

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

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**


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**Federal Awards Finding No. 2014-001:****Federal Agency:** United States Department of Education**Award Number:** S374A100033-10A**Program:** Teacher Incentive Fund (CFDA No. 84.374)**Finding Type:** Noncompliance and Significant Deficiency**Questioned Costs:** None

**Allowable Costs/Cost Principles.** OMB Circular A-87, Attachment A, Section C, provides that for expenditures to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of the Federal award, and must be adequately documented.

The District reported expenditures of \$1,610,240 for the Teacher Incentive Fund (TIF) program for the 2013-14 fiscal year. During the 2013-14 fiscal year, the District purchased computer and presentation equipment costing \$112,449.50. However, except for computer equipment of \$11,453 provided for in year one of the five-year program budget (October 1, 2010, through September 30, 2011), the five-year program budget did not provide for the purchase of computer and presentation equipment, nor had the grantor, of record, approved an amendment to the program budget for the purchase of computer and presentation equipment. Absent documentation that computer and presentation equipment was an allowable purchase from TIF program funds based on the approved or amended program budget, these expenditures, totaling \$112,449.50, did not appear necessary and reasonable charges to the TIF program. Subsequent to delivery of our preliminary and tentative findings, the grantor approved use of the equipment for TIF program purposes.

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**Recommendation:** The District should enhance its procedures to ensure that Federal program expenditures are properly approved, documented, and supported.

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District Contact Person and Title: Rhonda Odom, Chief Financial Officer

**Federal Awards Finding No. 2014-002:****Federal Agency:** United States Department of Education and United States Department of Labor**Pass-Through Entity:** Florida Department of Education**Programs:** Title I Grants to Local Educational Agencies (CFDA No. 84.010); Migrant Education – State

Grant Program (CFDA No. 84.011); Special Education Cluster (CFDA Nos. 84.027 and 84.173);

English Language Acquisition State Grants (CFDA No. 84.365); and National Farmworker Jobs

Program (CFDA No. 17.264)

**Finding Type:** Noncompliance and Significant Deficiency**Questioned Costs:** None

**Allowable Costs/Cost Principles.** Pursuant to Section 1001.41(4), Florida Statutes, the Board is the contracting agent for the District, and Board Policy 6320, *Purchasing and Contracting for Goods and Services*, provides that the Board shall approve and execute all contracts on behalf of the District involving expenditures of public funds in an amount greater than \$50,000.

Our review of Federal expenditures disclosed two agreements with a vendor for temporary staffing services, including tutors and substitute teachers, dated March 26, 2010, and March 13, 2014. For the 2013-14 fiscal year, the District reported expenditures to the temporary staffing services vendor as follows:

| Federal Program                              | Expenditures         |
|----------------------------------------------|----------------------|
| Title I Grants to Local Educational Agencies | \$ 142,515.71        |
| Migrant Education - State Grant Program      | 83,987.42            |
| Special Education Cluster                    | 73,000.03            |
| English Language Acquisition State Grants    | 29,819.00            |
| National Farmworker Jobs Program             | 20,057.72            |
| Total                                        | <u>\$ 349,379.88</u> |

Although District records evidenced that both contracts were signed by a District employee, neither of the two contracts were presented to the Board for approval, contrary to Section 1001.41(4), Florida Statutes, and Board policy. Without Board approval of contracts, there is an increased risk that unallowed costs will be charged to Federally-funded projects potentially resulting in questioned costs and the disallowance of the related expenditures by the Federal grantor agency.

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**Recommendation:** The District should enhance its procedures to ensure that contracts involving expenditures of public funds in an amount greater than \$50,000 are submitted to, and approved by, the Board.

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District Contact Person and Title: Rhonda Odom, Chief Financial Officer

**Federal Awards Finding No. 2014-003:**

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

**Award Number:** S374A100033-10A

**Program:** Teacher Incentive Fund (CFDA No. 84.374)

**Pass-Through Entity:** Florida Department of Education

**Pass-Through Programs:** Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and Twenty-First Century Community Learning Centers (CFDA No. 84.287)

**Finding Type:** Noncompliance and Significant Deficiency

**Questioned Costs:** Title I Grants to Local Educational Agencies - \$14,696.67

**Allowable Costs/Cost Principles - Documentation of Time and Effort.** OMB Circular A-87 provides, for charges to Federal awards for salaries and wages, that where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, and must be prepared at least monthly and signed by the employee. In addition, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

The District did not prepare semi-annual certifications or monthly activity reports reflecting an after-the-fact distribution to document time and effort for any District employees paid from Federal funds. In addition, our tests disclosed that salaries and benefits totaling \$93,983.51 for the District's Director of the Department of Federal Programs was paid 100 percent from Title I program funds during the 2013-14 fiscal year. However, this employee was also responsible for supervising the following Federal programs: Migrant Education - State Grant Program (CFDA No. 84.011); Education for Homeless Children and Youth (CFDA No. 84.196); Fund for the Improvement of Education (CFDA No. 84.215); Twenty-First Century Community Learning Centers (CFDA No. 84.287); Rural Education (CFDA No. 84.358); English Language Acquisition State Grants (CFDA No. 84.365); and ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395).

Based on our interviews, the Director devoted approximately 85 percent of her time to the Title I program. In these circumstances, salaries, benefits, and indirect cost of 4.25 percent charged to the Title I program, totaling \$14,696.67, represent questioned costs subject to disallowance by the grantor. For other District employees paid from Federal funds, although the required documentation was not maintained, our discussions with District personnel confirmed that the salaries and benefits charged to the programs were allowable charges. Absent monthly activity reports reflecting an after-the-fact distribution of the employees' actual activities, District records did not evidence compliance with the documentation of time and effort requirements of OMB Circular A-87, and there is an increased risk that personnel costs may be inappropriately charged to a Federal program. A similar finding was noted in our report No. 2014-170.

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**Recommendation:** The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefits charges to Federal programs. In addition, the District should document to the grantor (FDOE) the allowability of the \$14,696.67 of questioned costs or restore this amount to the Title I program.

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District Contact Person and Title: Rhonda Odom, Chief Financial Officer

**Federal Awards Finding No. 2014-004:**

**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); and Twenty-First Century Community Learning Centers (CFDA No. 84.287)

**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 the 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 2013-14 fiscal year and submit the reconciliation to the FDOE by December 1, 2014.

The Title I, Special Education Cluster, and Twenty-First Century Community Learning Centers programs' final project expenditure reports were due to FDOE from August 20, 2014, to October 21, 2014, as specified in the respective project award notification letters; however, the final project expenditure reports were not completed and submitted to FDOE until January 14 to 16, 2015, or from 87 to 149 days after the due dates. Also, the District did not prepare and file the CARDS Reconciliation with FDOE until January 30, 2015, 60 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 timely reconcile FDOE cash advance balances and program expenditures to amounts per the District records limits the District's ability to promptly detect and correct errors in its accounting records or Federal financial reports.

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**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, and to ensure timely completion of final expenditure reports and the CARDS reconciliation.

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District Contact Person and Title: Rhonda Odom, Chief Financial Officer

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**Federal Awards Finding No. 2014-005:**

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

**Pass-Through Entity:** Florida Department of Education

**Pass-Through Programs:** Title I Grants to Local Educational Agencies (CFDA No. 84.010)

**Finding Type:** Noncompliance and Significant Deficiency

**Questioned Costs:** None

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**Special Tests and Provisions - Annual Report Card, High School Graduation Rate.** Title 34, Section 200.19(b), Code of Federal Regulations, requires the District to maintain appropriate written documentation to support the removal of a student from the regulatory adjusted four-year cohort, which is used to calculate the annual high school graduation rate. To remove a student from the cohort, the District must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the District must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

Our review of documentation for 60 students who were removed from the 2013-14 fiscal year graduation rate cohort disclosed 23 students for which the documentation did not support removing the student from the cohort, as follows:

- Documentation provided for 13 of the 23 students did not evidence that the students had enrolled in another school or educational program that culminates in a regular high school diploma.
- Documentation provided for 4 of the 23 students removed from the cohort indicated they were either retained in a grade, enrolled in a GED program, or dropped out of school and, therefore, were not eligible to be removed from the cohort.
- For 6 of the 23 students, documentation was not provided to support removing the student from the cohort.

It is necessary to maintain written documentation supporting adjustments to the high school graduation cohort to ensure that the high school graduation rate is correctly calculated because it is used as an academic indicator in determining whether the District is making annual progress towards meeting the State's established academic goals.

**Recommendation:** The District should enhance its procedures to ensure that documentation is maintained to support the eligibility of all students removed from the high school graduation rate cohort, and that such documentation supports removing the students from the cohort as required by Federal regulation.

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District Contact Person and Title: Rhonda Odom, Chief Financial Officer

### PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-170, except as shown in the following table:

| Current Fiscal Year Finding Numbers | 2012-13 Fiscal Year Audit Report and Finding Numbers    | 2011-12 Fiscal Year Audit Report and Finding Numbers |
|-------------------------------------|---------------------------------------------------------|------------------------------------------------------|
| 1                                   | Audit Report No. 2014-170, Finding No. 1                | NA                                                   |
| 2                                   | Audit Report No. 2014-170, Finding No. 2                | Audit Report No. 2013-166, Finding No. 1             |
| 3                                   | Audit Report No. 2014-170, Finding No. 4                | Audit Report No. 2013-166, Finding No. 2             |
| 4                                   | Audit Report No. 2014-170, Finding No. 5                | NA                                                   |
| 5                                   | Audit Report No. 2014-170, Finding No. 7                | NA                                                   |
| 7                                   | Audit Report No. 2014-170, Finding No. 9                | Audit Report No. 2013-166, Finding No. 6             |
| 8                                   | Audit Report No. 2014-170, Finding No. 10               | NA                                                   |
| 10                                  | Audit Report No. 2014-170, Finding No. 14               | Audit Report No. 2013-166, Finding No. 12            |
| 11                                  | Audit Report No. 2014-170, Finding No. 15               | Audit Report No. 2013-166, Finding No. 14            |
| 12                                  | Audit Report No. 2014-170, Finding No. 16               | Audit Report No. 2013-166, Finding No. 15            |
| Federal Awards Finding No. 2014-003 | Audit Report No. 2014-170, Federal Awards Finding No. 3 | NA                                                   |

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

*PUTNAM COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014*

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

| Audit Report No.<br>and Federal<br>Awards Finding No. | Program/Area                                                                                                                                                                                                                                                                                                                          | Brief Description                                                                                                                                                                                                                                                                                                                                                                                                                                | Status                                   | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2012-167<br>(1)                                       | Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) and Twenty-First Century Community Learning Centers (CFDA No. 84.287) - Allowable Costs/Cost Principles                                                                                                                                                                         | Certain expenditures for various Federal programs were not always properly approved, documented, and supported, resulting in questioned costs of \$173,433 for the Title I, Part A Cluster and \$7,000 for the Twenty-First Century Community Learning Centers programs.                                                                                                                                                                         | Finding does not warrant further action. | This finding does not warrant further action because at least two years have passed since the finding was reported, the grantor is not following up on the finding, and a management decision was not issued.                                                                                                                                                                                                                                  |
| 2012-167<br>(2)                                       | State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397) - Procurement                                                                                                                                                                                                                                                   | Contracting and monitoring controls were not sufficient to ensure that services and charges for the State Fiscal Stabilization Fund were appropriate, resulting in \$40,300 of questioned costs.                                                                                                                                                                                                                                                 | Finding does not warrant further action. | This finding does not warrant further action because at least two years have passed since the finding was reported, the grantor is not following up on the finding, and a management decision was not issued.                                                                                                                                                                                                                                  |
| 2013-166<br>(1)                                       | Title I Grants to Local Educational Agencies (CFDA No. 84.010); Twenty-First Century Community Learning Centers (CFDA No. 84.287); Improving Teacher Quality State Grants (CFDA No. 84.367); and State Fiscal Stabilization Fund – Race to the Top Incentive Grants, Recovery Act (CFDA No. 84.395) - Allowable Costs/Cost Principles | Certain expenditures for Federal programs were not always properly approved, documented, or supported, resulting in questioned costs of \$8,372 for the Title I Grants to Local Educational Agencies, \$6,375 for the Twenty-First Century Community Learning Centers, \$164,682 for the Improving Teacher Quality State Grants, and \$20,231 for the State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act programs. | Partially corrected.                     | The grantor did not require restoration of questioned costs of \$4,074 for the Title I Grants to Local Educational Agencies, \$6,375 for the Twenty-First Century Community Learning Centers, \$143,609 for the Improving Teacher Quality State Grants, and \$20,231 for the State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act programs. The remaining questioned costs is pending resolution from the grantor. |
| 2013-166<br>(2)                                       | Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, and Earmarking – Maintenance of Effort                                                                                                                                                                                                           | The District's local fiscal effort for the Special Education program services decreased from the 2010-11 fiscal year to the 2011-12 fiscal year, resulting in a maintenance of effort shortfall of \$83,226.                                                                                                                                                                                                                                     | Partially corrected.                     | The deficiencies have been corrected; however, resolution of the questioned costs is pending from the grantor.                                                                                                                                                                                                                                                                                                                                 |
| 2014-170<br>(1)                                       | Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Eligibility                                                                                                                                                                                                                                                          | Title I program resources were not properly allocated to schools, resulting in \$394,548.69 of questioned costs.                                                                                                                                                                                                                                                                                                                                 | Partially corrected.                     | The deficiencies have been corrected; however, resolution of the questioned costs is pending from the grantor.                                                                                                                                                                                                                                                                                                                                 |
| 2014-170<br>(2)                                       | Teacher Incentive Fund (CFDA No. 84.374) - Allowable Costs/Cost Principles                                                                                                                                                                                                                                                            | The District did not maintain documentation evidencing that performance-based compensation bonuses were properly awarded, resulting in \$95,610 of questioned costs related to bonus overpayments for the Teacher Incentive Fund program.                                                                                                                                                                                                        | Corrected.                               | The grantor did not require restoration of questioned costs.                                                                                                                                                                                                                                                                                                                                                                                   |
| 2014-170<br>(3)                                       | Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Allowable Costs/Cost Principles                                                                                                                                                                                                                                      | The District did not maintain required documentation to support salary and benefit charges for several District employees, resulting in questioned costs of \$38,047.78 for the Title I program.                                                                                                                                                                                                                                                 | Partially corrected.                     | The deficiencies have been corrected for all but one employee; however, resolution of the questioned costs is pending from the grantor.                                                                                                                                                                                                                                                                                                        |
| 2014-170<br>(4)                                       | Twenty-First Century Community Learning Centers (CFDA No. 84.287) - Special Tests and Provisions                                                                                                                                                                                                                                      | The District did not consult with private school officials regarding their participation in the District's Twenty-First Century program, contrary to Federal requirements.                                                                                                                                                                                                                                                                       | Partially corrected.                     | The deficiencies have been corrected; however, resolution of the finding is pending from the grantor.                                                                                                                                                                                                                                                                                                                                          |

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



200 Reid Street • Palatka, Florida 32177  
[www.putnamschools.org](http://www.putnamschools.org)

March 20, 2015

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

Dear Mr. Martin:

Attached is our response to the preliminary and tentative audit findings and recommendations for the Putnam County School District for the fiscal year ended June 30, 2014.

My staff and I appreciate your efforts to assist us in improving our operations and we appreciate the professionalism of the auditors assigned to our audit.

Should you have any questions regarding the attached responses, please contact Mrs. Rhonda Odom, Chief Financial Officer, at 386-329-0513.

Sincerely,

Phyllis L. Criswell  
Superintendent of Schools

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

**Finding No. 1: Financial Reporting**

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

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

**Finding No. 2: Bank Account Reconciliations**

Recommendation: The District should enhance its procedures to ensure bank account reconciliations are timely and properly completed, including prompt investigation and resolution of any differences.

Response: The Finance Office staff is responsible for reconciling fifteen (15) separate bank accounts. As of August 2014, all accounts have been reconciled, and the District has to date maintained completing reconciliations in a timely manner. In addition, we are aware that there have been immaterial differences that have occurred in the Payroll Account and believe this issue centers mainly around wire transfers and wire transfer dates. This includes payments for the Florida Retirement System and the Internal Revenue Service. The District has been working on identifying and correcting these differences.

**Finding No. 3: Electronic Funds Transfer**

Recommendation: The Board should revise its EFT policy to include written procedures that prescribe the accounting and control procedures for EFTs, including the use of electronic signatures. Also, the District should enhance its procedures to ensure appropriate separation of duties of initiating and authorizing EFTs.

Response: Although it is not possible to have a complete separation of duties for EFT transactions, the finding notes that the District does have compensating controls in place. The District also has a policy requiring a separate initiator and approver on each EFT transaction. The bank account is checked on a daily basis and all EFT's are traced back to the authorizing paperwork. In March 2015, the District completed procedures prescribing the accounting and control functions for EFT's as required by *NEOLA Policy Number 6107-Authorization to Accept and Distribute Electronic Records, to Use Electronic Signature, and Make Electronic Funds Transfers*.

**Finding No. 4: Bus Drivers**

Recommendation: The District should enhance its procedures to ensure bus drivers meet the requirements to operate school buses. Such procedures should include verification that drivers obtain proper endorsements prior to employment, and maintenance of in-service training documentation.

Response: The District will enhance its procedures to alleviate further issues of this nature.

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

**Finding No. 5: School Safety and Security Department Personnel**

Recommendation: The District should contact the Division regarding the appropriateness of the Special Risk Retirement Classification for the two Department employees.

Response: The Job Descriptions were updated with the appropriate language for the employees and a prior period adjustment of 1.33 years was made on the referenced employee. The District will obtain written confirmation from the Division regarding the Special Risk Classification status.

**Finding No. 6: Health Insurance Plan**

Recommendation: The District should enhance its procedures to ensure eligibility of health insurance program participants and the accuracy of billings for healthcare coverage. Such procedures could include reconciliations of health insurance billings to payroll records and retiree insurance payments and verification of eligibility of dependents covered by the District's health insurance plan. The Board should also clarify its position regarding health insurance benefits provided to former employees based on agreements that were not approved by the Board.

Response: A new letter of Memorandum of Agreement will go to the Board to correct the special letter of intent for the 36 retirees. Reconciliations are done in a timely fashion and effectively. Florida Blue is paid up front (the 1<sup>st</sup> of the month). The District balances for the month after all premiums are collected the next month and any corrections identified for the current month are corrected on the next month's billing. After Board approval, the District will begin requiring marriage licenses and birth certificates to add spouse and dependents for any new hires or current employees adding health coverage due to termination of coverage. We will address current enrollees at the time of open enrollment.

**Finding No. 7: Compensation and Salary Schedules – Differentiated Pay**

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.

Response: In the future, the District will continue to work collaboratively with the Putnam Federation of Teachers United to enhance the Compensation and Salary Schedule currently in place. A specific plan will be developed in order to document how instructional personnel will qualify for differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b, Florida Statutes. Additionally, the District will post on the District's Web site all sites that would qualify instructional employees for additional compensation under the Instructional Contract Differentiated Pay once this distinction is determined.

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

**Finding No. 8: Purchasing Card Program Rebates**

Recommendation: The District should enhance its procedures to ensure the equitable allocation of rebates on P-card purchases. The District should also consult with the appropriate Federal cognizant agency and the FDOE for resolution on the use and allocation of rebates received on P-card purchases.

Response: Beginning with the 2014-15 fiscal year, the District will allocate the appropriate percentage of any rebate received from the District's P-Card Program to the Capital Projects Funds and the General Fund. In addition, due to the recent guidance provided by the Florida Department of Education, the District will also be able to properly allocate the rebates from the District's P-Card program to the Federal Programs.

**Finding No. 9: Purchasing Procedures**

Recommendation: The District should provide for routine review of required statements of financial interest by personnel responsible for making procurement decisions.

Response: Copies of the forms have been reviewed at the Supervisor of Elections Office. This will now become an annual process.

**Finding No. 10: Information Technology – Access Privileges**

Recommendation: The District should restrict application access, including system access, to ensure that access privileges assigned enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities. In addition, the District should develop procedures for the periodic review of access privileges.

Response: Access privileges were adjusted accordingly and are contingent upon the functions necessary to perform the duties of the position. Moving forward, individuals who need temporary access to any function of the system must place a written request indicating the reason for the requested access to the Interim Director of Information Services. Upon the approval of the Director, access will be provided only for a predetermined length of time necessary to complete a specific task.

In order to ensure that inappropriate access privileges are detected and addressed in a timely fashion, the Interim Director of Information Services will direct appropriate staff to review access privileges for all employees on a monthly basis, thereby reducing any risks.

**Finding No. 11: Information Technology – Timely Deactivation of Access Privileges**

Recommendation: The District should continue its efforts to ensure that the access privileges of former employees are timely deactivated.

Response: In order to ensure that access privileges are deactivated in a timely manner, the Interim Director of Information Services is working with the Director of Staff Services in

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

streamlining the process of notifying Information Services of District employee separations. At this juncture, departments and schools have been requested to provide the notifications electronically on a specified form (C13), which should substantially expedite the process.

Access privileges for all employees will be reviewed monthly, which will further reduce any potential risk.

**Finding No. 12: Information Technology - Data Loss Prevention**

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

Response: Security controls have been enhanced by limiting access on a need to know basis. Staff has reviewed and removed all user accounts that do not require privileged user access to data resources. In addition, security logs are reviewed monthly to verify and validate that unknown users and accounts are not accessing network or data resources. We will also be implementing a full back up solution in April with security access controls in place.

**Federal Awards Finding No. 1**

Recommendation: The District should enhance procedures to ensure that Federal program expenditures are properly approved, documented, and supported.

Response: Kristina Barber and Cori Sauri of the U.S. Department of Education reviewed the budget request for carryover funds, and, in an e-mail dated March 18, 2015, approved the purchase of technology to support assessing students with Performance Matters. They concluded that this purchase is aligned with Putnam's TIF project and is determined to be allowable grant expenses, and therefore, is approved.

**Federal Awards Finding No. 2**

Recommendation: The District should enhance its procedures to ensure that contracts involving expenditures of public funds in an amount greater than \$50,000 are submitted to, and approved by the Board.

Response: Contracts in excess of \$50,000 will be submitted to the Board for approval.

**Federal Awards Finding No. 3**

Recommendation: The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefit charges to Federal programs. In addition, the District should document to the grantor (FDOE) the allowability of the \$14,696.67 of questioned costs or restore this amount to the Title I program.

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

Response: The \$14,696.67 of questioned costs is 15 percent of the salary and benefit cost of the Director of Federal Programs. The District is a Title I District. Every project that the Director supervises provides supplemental services to specific categories of students that is supplemental to the Title I project. Every student or teacher who is supported through the other named grants is also served under the Title I project. The District, therefore, was of the opinion that the salary of the Director of Federal Programs was appropriately charged to the Title I program. For a district where the entire district and every student in attendance is not considered a part of the Title I project, the District can understand that the assignment of salaries to specific projects would be imperative. The District is currently requiring all personnel to complete monthly PARS reports and to submit these to the Finance Department monthly. Beginning with July 1, 2014, the District also decided to pay 15 percent of the Director of Federal Program's salary from General Funds. This is reflected in her monthly PARS report.

**Federal Awards Finding No. 4**

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, and to ensure timely completion of final expenditure reports and the CARDS reconciliation.

Response: Unfortunately, the delay in reporting occurred due to unforeseen circumstances. The situation has since been corrected and all required reports were submitted to FDOE. The District will now ensure that all aspects of monitoring and reporting of cash balances will be enhanced. This will guarantee that reconciliations and reports are completed in a timely manner and within the timeframe permitted by FDOE.

**Federal Awards Finding No. 5**

Recommendation: The District should enhance its procedures to ensure that documentation is maintained to support the eligibility of all students removed from the high school graduation rate cohort, and that such documentation supports removing the students from the cohort as required by Federal regulation.

Response: The District currently has no evidence that the students' withdrawal codes listed in the memo were accurate, evidenced by a lack of documentation to support the withdrawal codes listed. The District will implement a new protocol that will ensure accurate coding of withdrawal codes with supporting documentation in cumulative folders for all students. Counselors will be provided training that will include a checklist that must be completed upon a student's withdrawal.