

**MADISON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2010



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
Susie B. Williamson, Vice Chair from 11-17-09	1
Kenneth D. Hall	2
VeEtta L. Hagan	3
Clyde Alexander, Jr., Chair to 11-16-09	4
Bart Alford, Vice Chair to 11-16-09, Chair from 11-17-09	5

Lou S. Miller, Superintendent

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

The audit team leader was Edward A. Waller, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MADISON COUNTY DISTRICT SCHOOL BOARD
 TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	10
Statement of Net Assets	10
Statement of Activities.....	12
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	21
Notes to Financial Statements	22
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	38
Schedule of Funding Progress – Other Postemployment Benefits Plan	41
Notes to Required Supplementary Information	42
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	43
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 <i>GOVERNMENT AUDITING STANDARDS</i>	44
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	48
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	51
EXHIBIT A MANAGEMENT'S RESPONSE	52

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTER

Finding No. 1: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; Safe and Drug-Free Schools and Communities - National; and State Fiscal Stabilization Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

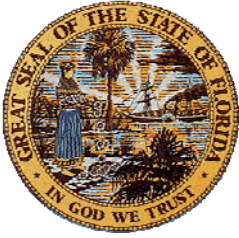
Our audit objectives were to determine whether the Madison County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-056.

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, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Madison County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. 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 19 percent of the assets and 71 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Madison County Foundation for Excellence in Education, Inc., a discretely presented component unit. 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 discretely presented component unit, are based 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Madison County District School Board as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 38 through 42) 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.

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 *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
February 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Madison County has prepared the following discussion and analysis to assist the reader in focusing on significant financial issues, provide an overview and analysis of the District's financial activities, identify changes in the District's financial position, identify material deviations from the approved budget, and highlight significant issues in individual funds. 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 on pages 10 through 37.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- During the current fiscal year, General Fund expenditures exceeded revenues by \$509,528. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$1,039,118.
- The District's financial status declined from the previous fiscal year. The General Fund unreserved fund balance decreased from \$2,255,146 as of June 30, 2009, to \$1,895,680 as of June 30, 2010.
- The resources available for appropriation through the Florida Education Finance Program (FEFP) were \$163,853 more than the original amount budgeted for the General Fund. Expenditures were maintained within spending limits through cost-cutting and close budgetary control.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents the Madison County Foundation for Excellence in Education, Inc., as a separate legal entity in this report. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting

principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-10	6-30-09
Current Assets	\$ 3,740,038	\$ 4,141,827
Capital Assets	35,584,171	36,593,867
Total Assets	39,324,209	40,735,694
Long-Term Liabilities	5,405,566	5,325,396
Other Liabilities	281,966	456,299
Total Liabilities	5,687,532	5,781,695
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	33,789,171	34,618,867
Restricted	1,409,869	1,341,363
Unrestricted Deficit	(1,562,363)	(1,006,231)
Total Net Assets	\$ 33,636,677	\$ 34,953,999

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land, buildings, furniture 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 key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

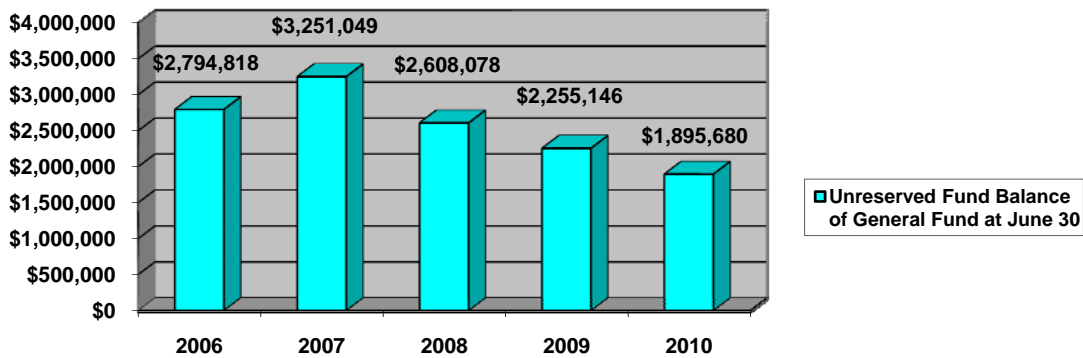
	Operating Results for the Year	
	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	\$ 281,899	\$ 302,712
Operating Grants and Contributions	1,119,194	1,689,827
Capital Grants and Contributions	143,888	268,265
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,410,793	4,359,262
Property Taxes, Levied for Capital Projects	998,810	882,203
Grants and Contributions Not Restricted to Specific Programs	18,853,736	17,441,753
Unrestricted Investment Earnings	8,896	65,094
Miscellaneous	450,773	773,414
Total Revenues	26,267,989	25,782,530
Functions/Program Expenses:		
Instruction	12,877,418	12,105,191
Pupil Personnel Services	715,083	787,064
Instructional Media Services	249,521	283,160
Instruction and Curriculum Development Services	1,787,954	1,622,308
Instructional Staff Training Services	758,075	837,619
Instruction Related Technology	192,263	186,984
Board of Education	254,061	270,660
General Administration	545,950	432,743
School Administration	1,360,862	1,580,980
Facilities Acquisition and Construction	237,796	164,696
Fiscal Services	347,882	366,439
Food Services	1,388,360	1,353,311
Central Services	185,659	217,449
Pupil Transportation Services	2,012,420	1,882,215
Operation of Plant	2,532,751	2,524,851
Maintenance of Plant	289,177	280,202
Administrative Technology Services	160,446	272,986
Community Services		3,322
Unallocated Interest on Long-Term Debt	98,336	106,481
Unallocated Depreciation Expense	1,591,297	1,624,747
Loss on Disposal of Capital Assets		17,122
Total Functions/Program Expenses	27,585,311	26,920,530
Decrease in Net Assets	\$ (1,317,322)	\$ (1,138,000)

The largest revenue source is the State of Florida (52 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base. Revenues increased approximately \$485 thousand, due primarily to new ARRA Stabilization revenue offset by a reduction in State funding. Expenses increased \$665 thousand, due to the increase in instructional salaries made possible by the ARRA grant funds.

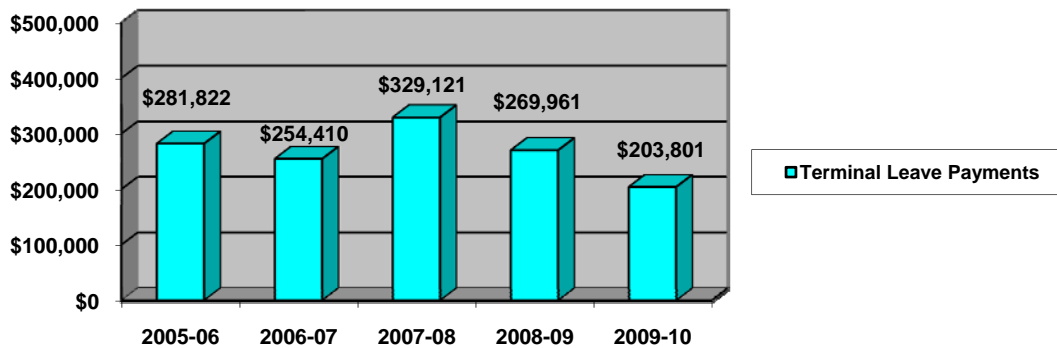
FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

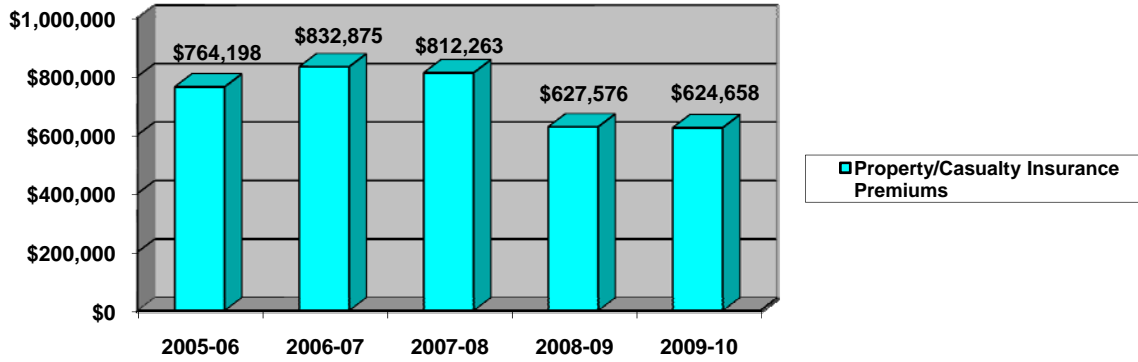
Unreserved Fund Balance of General Fund. The unreserved fund balance of the General Fund has steadily decreased since the 2006-07 fiscal year. This trend is due, in part, to reductions in FEFP and declining student enrollment. A minimum unreserved fund balance of 5 percent of total General Fund revenues is required by School Board Policy SB 7.01. At fiscal year-end, the General Fund unreserved fund balance was 10 percent of General Fund revenues, which exceeds the average for school districts in Florida and is an indicator of the financial stability of the School District.



Terminal Leave Payments. The General Fund pays terminal leave payments to retirees and nonretirees per School Board Policy SB 6.192. These payments are a significant expense of the District. The following chart reflects these payments over the past five fiscal years.



Property/Casualty Insurance Premiums. This fiscal year improved over the previous fiscal year for the Property/Casualty Insurance industry. As a result, the District has experienced a slight decrease in insurance premiums. The following graph depicts historical property/casualty insurance premiums of the District.



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

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

Capital Projects – Local Capital Improvement Fund. The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$628,380, all of which is restricted for expenditures related to capital outlay. The fund balance of the Capital Projects – Local Capital Improvement Fund increased by \$30,337. There were no major construction or renovation projects in the current year; however, approximately \$600 thousand was used to purchase new school buses.

GENERAL FUND BUDGETARY HIGHLIGHTS

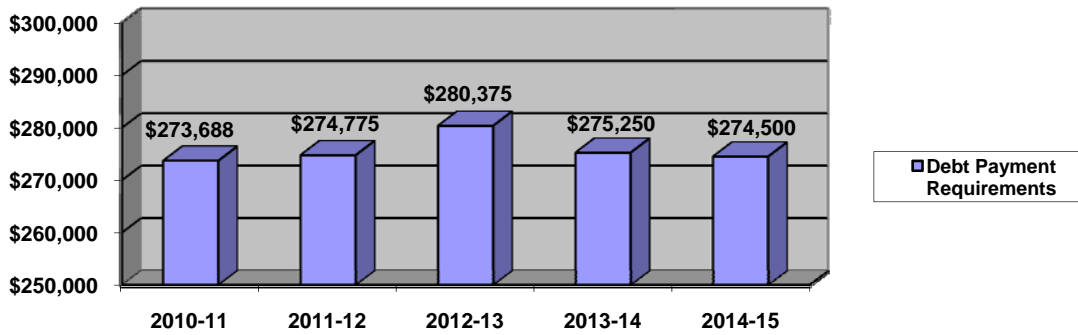
There were significant variances between the original and final budgeted revenues and expenditures due to State funding changes and declining enrollment. Actual revenues, expenditures, and ending fund balance were in line with final budgeted amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Total capital assets (land, buildings, equipment, motor vehicles, etc.), before adjusting for accumulated depreciation, totaled \$54,625,416 compared to \$54,181,659 in the prior year. The increase is due primarily to the purchase of buses partially offset by the removal of surplus capital assets throughout the school year.

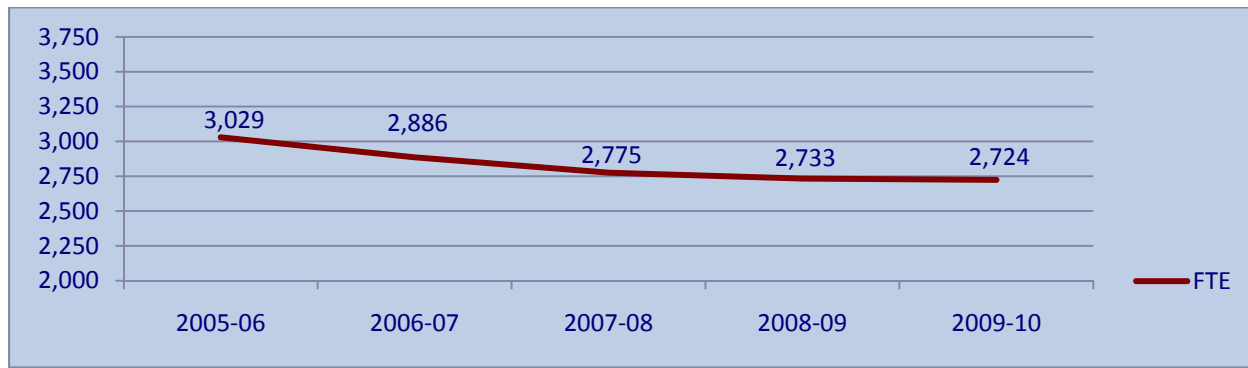
The District did not issue any new long-term debt during the 2009-10 fiscal year and, at this time, there are no plans for issuing any new debt.

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



SIGNIFICANT ECONOMIC FACTORS

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



REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010**

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 3,062,775.34	\$ 16,415.00
Investments	128,840.19	
Accounts Receivable	6,970.57	20,372.00
Due from Other Agencies	443,420.98	
Inventories	77,190.81	
Prepaid Items	20,839.43	446,697.00
Capital Assets:		
Nondepreciable Capital Assets	747,629.03	
Depreciable Capital Assets, Net	34,836,542.30	
TOTAL ASSETS	\$ 39,324,208.65	\$ 483,484.00
LIABILITIES		
Salaries and Benefits Payable	\$ 26,257.88	\$
Accounts Payable	46,684.63	6,709.00
Due to Other Agencies	196,565.08	
Deposits Payable	3,865.31	
Matured Interest Payable	8,592.50	
Long-Term Liabilities:		
Portion Due Within One Year	241,003.16	
Portion Due After One Year	5,164,563.00	
Total Liabilities	5,687,531.56	6,709.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	33,789,171.33	
Restricted for:		
State Required Carryover Programs	293,125.51	
Debt Service	248,721.16	
Capital Projects	830,606.69	
Other Purposes	37,415.49	438,651.00
Unrestricted Deficit	(1,562,363.09)	38,124.00
Total Net Assets	33,636,677.09	476,775.00
TOTAL LIABILITIES AND NET ASSETS	\$ 39,324,208.65	\$ 483,484.00

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 12,877,418.07	\$ 100.00	\$	\$
Pupil Personnel Services	715,082.96			
Instructional Media Services	249,520.50			
Instruction and Curriculum Development Services	1,787,953.79			
Instructional Staff Training Services	758,075.18			
Instruction Related Technology	192,262.83			
School Board	254,061.49			
General Administration	545,950.05			
School Administration	1,360,862.22			
Facilities Acquisition and Construction	237,796.31			66,805.95
Fiscal Services	347,881.60			
Food Services	1,388,359.85	281,799.17	1,119,193.62	
Central Services	185,658.83			
Pupil Transportation Services	2,012,420.33			
Operation of Plant	2,532,750.83			
Maintenance of Plant	289,176.78			
Administrative Technology Services	160,446.01			
Unallocated Interest on Long-Term Debt	98,336.19			77,082.26
Unallocated Depreciation Expense*	1,591,296.94			
Total Primary Government	\$ 27,585,310.76	\$ 281,899.17	\$ 1,119,193.62	\$ 143,888.21
Component Unit				
Madison County Foundation for Excellence in Education, Inc.	\$ 108,655.00	\$ 0.00	\$ 62,138.00	\$ 0.00

General Revenues:
 Taxes:
 Property Taxes, Levied for Operational Purposes
 Property Taxes, Levied for Capital Projects
 Grants and Contributions Not Restricted to Specific Programs
 Unrestricted Investment Earnings
 Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - 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 Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (12,877,318.07)	\$
(715,082.96)	
(249,520.50)	
(1,787,953.79)	
(758,075.18)	
(192,262.83)	
(254,061.49)	
(545,950.05)	
(1,360,862.22)	
(170,990.36)	
(347,881.60)	
12,632.94	
(185,658.83)	
(2,012,420.33)	
(2,532,750.83)	
(289,176.78)	
(160,446.01)	
(21,253.93)	
(1,591,296.94)	
(26,040,329.76)	
	(46,517.00)
4,410,792.80	
998,809.91	
18,853,735.94	31,401.00
8,896.08	10.00
450,773.18	
24,723,007.91	31,411.00
(1,317,321.85)	(15,106.00)
34,953,998.94	491,881.00
\$ 33,636,677.09	\$ 476,775.00

**MADISON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,997,636.17	\$	\$
Investments	83,636.47		
Accounts Receivable	6,734.60	224.72	
Due from Other Funds	397,984.65		
Due from Other Agencies	55,698.57	299,627.50	65,911.71
Inventories	18,315.51		
Prepaid Items	20,839.43		
TOTAL ASSETS	\$ 2,580,845.40	\$ 299,852.22	\$ 65,911.71
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 26,257.88	\$	\$
Accounts Payable	28,666.66	8,479.63	4,282.10
Due to Other Funds	8,017.24	291,372.59	61,629.61
Due to Other Agencies	196,565.08		
Deposits Payable	3,865.31		
Matured Interest Payable			
Total Liabilities	263,372.17	299,852.22	65,911.71
Fund Balances:			
Reserved for State Required Carryover Programs	293,125.51		
Reserved for Encumbrances	91,252.23		
Reserved for Other Purposes	37,415.49		
Reserved for Debt Service			
Undesignated:			
General Fund	1,895,680.00		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	2,317,473.23		
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,580,845.40	\$ 299,852.22	\$ 65,911.71

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 617,955.72	\$ 447,183.45	\$ 3,062,775.34
4,777.74	40,425.98	128,840.19
	11.25	6,970.57
	8,017.24	406,001.89
10,394.12	11,789.08	443,420.98
	58,875.30	77,190.81
		20,839.43
<u>\$ 633,127.58</u>	<u>\$ 566,302.30</u>	<u>\$ 4,146,039.21</u>
\$ 4,747.54	\$ 508.70	\$ 26,257.88
	44,982.45	46,684.63
		406,001.89
		196,565.08
		3,865.31
	8,592.50	8,592.50
<u>4,747.54</u>	<u>54,083.65</u>	<u>687,967.29</u>
24,144.67	4,327.58	293,125.51
		119,724.48
		37,415.49
	248,721.16	248,721.16
		1,895,680.00
	59,393.26	59,393.26
604,235.37	199,776.65	804,012.02
<u>628,380.04</u>	<u>512,218.65</u>	<u>3,458,071.92</u>
<u>\$ 633,127.58</u>	<u>\$ 566,302.30</u>	<u>\$ 4,146,039.21</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balances - Governmental Funds \$ 3,458,071.92

Amounts reported for governmental activities in the statement of net assets 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. 35,584,171.33

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

Bonds Payable	\$ 1,795,000.00	
Compensated Absences Payable	3,398,511.16	
Other Postemployment Benefits Payable	212,055.00	(5,405,566.16)

Total Net Assets - Governmental Activities \$ 33,636,677.09

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$	\$ 466,271.70	\$
Federal Through State and Local State	71,382.91 13,322,534.31	3,080,314.52	1,697,818.12
Local:			
Property Taxes	4,410,792.80		
Charges for Services - Food Service			
Miscellaneous	456,098.23		
Total Revenues	18,260,808.25	3,546,586.22	1,697,818.12
Expenditures			
Current - Education:			
Instruction	10,034,908.87	1,745,521.34	836,818.24
Pupil Personnel Services	434,889.20	206,438.51	73,755.25
Instructional Media Services	148,735.97	12,795.19	87,989.34
Instruction and Curriculum Development Services	633,476.88	898,552.62	255,924.29
Instructional Staff Training Services	205,128.16	241,658.97	311,288.05
Instruction Related Technology	178,542.83		13,720.00
School Board	254,061.49		
General Administration	259,076.01	200,595.97	86,278.07
School Administration	1,360,692.28	169.94	
Facilities Acquisition and Construction	76,473.29	5,292.00	
Fiscal Services	347,881.60		
Food Services	21,584.42		10,631.00
Central Services	183,166.83	2,492.00	
Pupil Transportation Services	1,662,186.01		
Operation of Plant	2,474,785.24	54,972.42	2,993.17
Maintenance of Plant	289,176.78		
Administrative Technology Services	158,651.01	1,795.00	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	46,919.82	176,302.26	18,420.71
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	18,770,336.69	3,546,586.22	1,697,818.12
Excess (Deficiency) of Revenues Over Expenditures	(509,528.44)		
Other Financing Sources (Uses)			
Transfers In	335,892.07		
Transfers Out			
Total Other Financing Sources (Uses)	335,892.07		
Net Change in Fund Balances	(173,636.37)		
Fund Balances, Beginning	2,491,109.60		
Fund Balances, Ending	\$ 2,317,473.23	\$ 0.00	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	1,095,917.62	466,271.70
	382,578.59	5,945,433.17
		13,705,112.90
998,809.91		5,409,602.71
	281,799.17	281,799.17
1,157.15	2,513.88	459,769.26
<u>999,967.06</u>	<u>1,762,809.26</u>	<u>26,267,988.91</u>
		12,617,248.45
		715,082.96
		249,520.50
		1,787,953.79
		758,075.18
		192,262.83
		254,061.49
		545,950.05
		1,360,862.22
120,736.91	35,294.11	237,796.31
		347,881.60
	1,356,144.43	1,388,359.85
		185,658.83
		1,662,186.01
		2,532,750.83
		289,176.78
		160,446.01
28,060.63	56,897.13	84,957.76
605,235.00		846,877.79
	180,000.00	180,000.00
	98,336.19	98,336.19
<u>754,032.54</u>	<u>1,726,671.86</u>	<u>26,495,445.43</u>
<u>245,934.52</u>	<u>36,137.40</u>	<u>(227,456.52)</u>
		335,892.07
<u>(215,597.51)</u>	<u>(120,294.56)</u>	<u>(335,892.07)</u>
<u>(215,597.51)</u>	<u>(120,294.56)</u>	
30,337.01	(84,157.16)	(227,456.52)
598,043.03	596,375.81	3,685,528.44
<u>\$ 628,380.04</u>	<u>\$ 512,218.65</u>	<u>\$ 3,458,071.92</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Net Change in Fund Balances - Governmental Funds \$ (227,456.52)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (1,009,695.71)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 180,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (153,085.62)

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 due. This is the net increase in the other postemployment benefits liability for the current fiscal year. (107,084.00)

Change in Net Assets - Governmental Activities \$ (1,317,321.85)

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2010**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 135,375.33
LIABILITIES	
Internal Accounts Payable	\$ 135,375.33

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Madison County School District (District) is considered part of the Florida system of public education. The governing body of the school district is the Madison County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Madison County.

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

Based on these criteria, the following component unit is included within the District's reporting entity:

- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the Madison County Foundation for Excellence in Education, Inc. (Foundation), a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010. The audit report is filed in the District's administrative office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component unit.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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. Revenues that are not classified as program revenues are

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary funds financial statements. 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.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

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

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, and amounts placed with 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 SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, 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 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by 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 on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Purchased food inventories are stated at last invoice, which approximates the first-in, first-out basis. Transportation inventories are valued at cost determined on a specific identification basis. 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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

expenditures when purchased during the year, and are adjusted at year-end to reflect year-end physical inventories.

➤ **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 assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Land and buildings acquired or constructed prior to July 1, 1989, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$182,565 of stated land values and \$6,213,707 of stated building values are based on these estimates.

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

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

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

➤ **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 assets.

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

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.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

The School Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Madison County Property Appraiser, and property taxes are collected by the Madison County Tax Collector.

The Board adopted the 2009 tax levy on September 10, 2009. 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 Madison County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **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.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The Board follows procedures established by State statutes and State Board of Education rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School 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.

3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 2,098,363.89
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	111,070.43
Debt Service Accounts	6 Months	17,769.76
Total Investments, Primary Government		<u>\$ 2,227,204.08</u>

Interest Rate Risk

- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. 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. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (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 District does not have a formal investment policy that limits its investment choices.

- The District’s investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District’s investment in Florida PRIME is rated AAAM by Standard & Poor’s. Fund B is unrated.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 747,629.03	\$	\$	\$ 747,629.03
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,709,442.79	84,957.76		1,794,400.55
Buildings and Fixed Equipment	43,555,427.49			43,555,427.49
Furniture, Fixtures, and Equipment	4,430,869.89	166,109.79	261,663.20	4,335,316.48
Motor Vehicles	2,820,655.29	629,076.00	209,820.83	3,239,910.46
Audio Visual Materials and Computer Software	917,634.40	51,692.00	16,594.11	952,732.29
Total Capital Assets Being Depreciated	53,434,029.86	931,835.55	488,078.14	53,877,787.27
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	988,643.16	77,159.22		1,065,802.38
Buildings and Fixed Equipment	10,008,208.42	871,108.55		10,879,316.97
Furniture, Fixtures, and Equipment	3,083,310.61	591,337.17	261,663.20	3,412,984.58
Motor Vehicles	2,589,995.26	350,234.32	209,820.83	2,730,408.75
Audio Visual Materials and Computer Software	917,634.40	51,692.00	16,594.11	952,732.29
Total Accumulated Depreciation	17,587,791.85	1,941,531.26	488,078.14	19,041,244.97
Total Capital Assets Being Depreciated, Net	35,846,238.01	(1,009,695.71)		34,836,542.30
Governmental Activities Capital Assets, Net	\$ 36,593,867.04	\$ (1,009,695.71)	\$	\$ 35,584,171.33

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 350,234.32
Unallocated	1,591,296.94
Total Depreciation Expense - Governmental Activities	\$ 1,941,531.26

5. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 515,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	1,280,000	4.65 - 5.00	2018
Total Bonds Payable	\$ 1,795,000		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

The School Board issued District Revenue Bonds, Series 1998, in the amount of \$2,500,000 on July 1, 1978. These bonds are authorized by Chapter 65-1869, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Madison County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The District has pledged a combined total of \$1,582,087.50 of pari-mutuel tax proceeds in connection with these bonds. During the 2009-10 fiscal year, the District recognized pari-mutuel tax revenues totaling \$217,000 and expended \$198,983 (92 percent) of these revenues for debt service directly collateralized by these revenues.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	\$ 75,750.00	\$ 50,000.00	\$ 25,750.00
2012	78,250.00	55,000.00	23,250.00
2013	80,500.00	60,000.00	20,500.00
2014	77,500.00	60,000.00	17,500.00
2015	79,500.00	65,000.00	14,500.00
2016-2018	248,000.00	225,000.00	23,000.00
Total State School Bonds	639,500.00	515,000.00	124,500.00
District Revenue Bonds:			
2011	197,937.50	135,000.00	62,937.50
2012	196,525.00	140,000.00	56,525.00
2013	199,875.00	150,000.00	49,875.00
2014	197,750.00	155,000.00	42,750.00
2015	195,000.00	160,000.00	35,000.00
2016-2018	595,000.00	540,000.00	55,000.00
Total District Revenue Bonds	1,582,087.50	1,280,000.00	302,087.50
Total	\$ 2,221,587.50	\$ 1,795,000.00	\$ 426,587.50

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 1,975,000.00	\$	\$ 180,000.00	\$ 1,795,000.00	\$ 185,000.00
Compensated Absences Payable	3,245,425.54	356,886.69	203,801.07	3,398,511.16	56,003.16
Other Postemployment Benefits Payable	104,971.00	236,704.00	129,620.00	212,055.00	
Total Governmental Activities	\$ 5,325,396.54	\$ 593,590.69	\$ 513,421.07	\$ 5,405,566.16	\$ 241,003.16

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 397,984.65	\$ 8,017.24
Special Revenue:		
Other		291,372.59
ARRA Economic Stimulus		61,629.61
Nonmajor Governmental	8,017.24	44,982.45
Total	\$ 406,001.89	\$ 406,001.89

Interfund receivables and payables include indirect cost recoveries on Federal programs, amounts due for expenditures paid by a particular fund on behalf of another fund, and temporary loans to cover deficit cash balances in pooled accounts. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 335,892.07	\$
Capital Projects:		
Local Capital Improvement		215,597.51
Nonmajor Governmental		120,294.56
Total	\$ 335,892.07	\$335,892.07

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

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$124,961.69, at June 30, 2010.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 10,547,924.00
Categorical Educational Program - Class Size Reduction	2,431,122.00
School Recognition Funds	117,599.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	106,856.21
Gross Receipts Tax (Public Education Capital Outlay)	37,032.00
Workforce Development Program	35,110.00
Mobile Home License Tax	23,703.57
Food Service Supplement	23,276.00
Discretionary Lottery Funds	6,748.00
Miscellaneous	<u>375,742.12</u>
 Total	 <u><u>\$ 13,705,112.90</u></u>

Accounting policies relating to certain State revenue sources are described in Note 1.

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.447	\$ 3,844,356.19
Basic Discretionary Local Effort	0.500	352,887.42
Supplemental Discretionary Local Effort	0.248	175,032.16
Critical Operating Needs	0.250	176,443.71
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>1,058,662.05</u>
 Total	 <u><u>7.945</u></u>	 <u><u>\$ 5,607,381.53</u></u>

11. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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, and 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 PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

(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 to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$1,395,376.01, \$1,337,744.59 and \$1,319,660.23, respectively, which were equal to the required contributions for each fiscal year. There were 14 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$83,111.58.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on 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.

12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (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, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the 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 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 Board Policy 6.193. Under this retirement incentive, retirees receive a \$100 per month rate subsidy for the 24 months following their

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

date of retirement. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and 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 other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 58 retirees received other postemployment benefits. The District provided required contributions of \$129,620 toward the annual OPEB cost, net of retiree contributions totaling \$339,697, which represents 3.28 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 Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 82,486
Amortization of Unfunded Actuarial Accrued Liability	148,160
Interest on Normal Cost and Amortization	<u>9,120</u>
Annual Required Contribution	239,766
Interest on Net OPEB Obligation	3,726
Adjustment to Annual Required Contribution	<u>(6,788)</u>
Annual OPEB Cost (Expense)	236,704
Contribution Toward the OPEB Cost	<u>(129,620)</u>
Increase in Net OPEB Obligation	107,084
Net OPEB Obligation, Beginning of Year	<u>104,971</u>
Net OPEB Obligation, End of Year	<u><u>\$ 212,055</u></u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010 and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$ 0	0.0%	\$ 0
2008-09	230,911	54.5%	104,971
2009-10	236,704	54.8%	212,055

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$2,165,083, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,165,083 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,926,970, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.8 percent.

Actuarial valuations of an ongoing 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 plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of 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 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 initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the frozen entry age normal cost actuarial method to estimate the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 12 percent initially for the 2008-09 fiscal year, reduced by various percentages per year, to an ultimate rate of 5 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 13 years.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

13. RISK MANAGEMENT PROGRAMS

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

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**MADISON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010**

	General Fund			Variance with Final Budget -
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local	50,000.00	71,382.91	71,382.91	
State	13,262,686.00	13,322,534.31	13,322,534.31	
Local:				
Property Taxes	4,573,887.00	4,410,792.80	4,410,792.80	
Miscellaneous	329,000.00	456,098.23	456,098.23	
Total Revenues	18,215,573.00	18,260,808.25	18,260,808.25	
Expenditures				
Current - Education:				
Instruction	10,418,292.51	10,034,908.87	10,034,908.87	
Pupil Personnel Services	478,666.14	434,889.20	434,889.20	
Instructional Media Services	180,071.53	148,735.97	148,735.97	
Instruction and Curriculum Development Services	1,008,826.17	633,476.88	633,476.88	
Instructional Staff Training Services	150,548.21	205,128.16	205,128.16	
Instruction Related Technology	176,438.28	178,542.83	178,542.83	
School Board	233,698.18	254,061.49	254,061.49	
General Administration	982,452.47	259,076.01	259,076.01	
School Administration	1,387,424.40	1,360,692.28	1,360,692.28	
Facilities Acquisition and Construction	12,322.44	76,473.29	76,473.29	
Fiscal Services	351,740.15	347,881.60	347,881.60	
Food Services	14,872.47	21,584.42	21,584.42	
Central Services	355,539.96	183,166.83	183,166.83	
Pupil Transportation Services	1,604,322.48	1,662,186.01	1,662,186.01	
Operation of Plant	2,254,296.01	2,474,785.24	2,474,785.24	
Maintenance of Plant	301,072.82	289,176.78	289,176.78	
Administrative Technology Services	213,912.70	158,651.01	158,651.01	
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay		46,919.82	46,919.82	
Total Expenditures	20,124,496.92	18,770,336.69	18,770,336.69	
Deficiency of Revenues Under Expenditures	(1,908,923.92)	(509,528.44)	(509,528.44)	
Other Financing Sources (Uses)				
Transfers In	297,000.00	335,892.07	335,892.07	
Transfers Out	(32,305.00)			
Total Other Financing Sources (Uses)	264,695.00	335,892.07	335,892.07	
Net Change in Fund Balances	(1,644,228.92)	(173,636.37)	(173,636.37)	
Fund Balances, Beginning	2,491,109.60	2,491,109.60	2,491,109.60	
Fund Balances, Ending	\$ 846,880.68	\$ 2,317,473.23	\$ 2,317,473.23	\$ 0.00

Special Revenue - Other			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 846,134.27	\$ 4,415,355.90	\$ 466,271.70 3,080,314.52	\$ 466,271.70 (1,335,041.38)
<u>846,134.27</u>	<u>4,415,355.90</u>	<u>3,546,586.22</u>	<u>(868,769.68)</u>
563,180.65	2,089,233.71	1,745,521.34	343,712.37
29,967.61	299,162.07	206,438.51	92,723.56
	19,009.66	12,795.19	6,214.47
72,117.78	984,356.39	898,552.62	85,803.77
122,186.75	409,528.03	241,658.97	167,869.06
	13,763.10		13,763.10
37,589.81	270,347.72	200,595.97	69,751.75
857.44	7,993.34	169.94	7,823.40
9,950.00	29,887.00	5,292.00	24,595.00
10,284.23	3,942.00	2,492.00	1,450.00
	25,630.09		25,630.09
	63,165.50	54,972.42	8,193.08
	2,513.00	1,795.00	718.00
	20,522.03		20,522.03
	<u>176,302.26</u>	<u>176,302.26</u>	
<u>846,134.27</u>	<u>4,415,355.90</u>	<u>3,546,586.22</u>	<u>868,769.68</u>
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS (Continued)
For the Fiscal Year Ended June 30, 2010**

	Special Revenue - ARRA Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	1,548,641.00	2,573,866.41	1,697,818.12	(876,048.29)
Local:				
Property Taxes				
Miscellaneous				
Total Revenues	<u>1,548,641.00</u>	<u>2,573,866.41</u>	<u>1,697,818.12</u>	<u>(876,048.29)</u>
Expenditures				
Current - Education:				
Instruction	743,117.45	1,363,819.61	836,818.24	527,001.37
Pupil Personnel Services	111,269.42	84,149.76	73,755.25	10,394.51
Instructional Media Services	170,850.40	88,064.39	87,989.34	75.05
Instruction and Curriculum Development Services	219,890.55	371,216.10	255,924.29	115,291.81
Instructional Staff Training Services	186,766.08	487,172.21	311,288.05	175,884.16
Instruction Related Technology	13,662.57	13,720.00	13,720.00	
School Board				
General Administration	80,474.53	131,371.17	86,278.07	45,093.10
School Administration				
Facilities Acquisition and Construction				
Fiscal Services				
Food Services	22,610.00	12,939.29	10,631.00	2,308.29
Central Services				
Pupil Transportation Services				
Operation of Plant		2,993.17	2,993.17	
Maintenance of Plant				
Administrative Technology Services				
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay		18,420.71	18,420.71	
Total Expenditures	<u>1,548,641.00</u>	<u>2,573,866.41</u>	<u>1,697,818.12</u>	<u>876,048.29</u>
Deficiency of Revenues Under Expenditures				
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	\$ 0	\$ 2,165,083	\$ 2,165,083	0.0%	\$ 9,926,970	21.8%

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**MADISON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 203,765.70
National School Lunch Program	10.555	300	756,005.32
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	<u>136,146.60</u>
Total Child Nutrition Cluster			<u>1,095,917.62</u>
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	<u>20,301.71</u>
Total United States Department of Agriculture			<u>1,116,219.33</u>
United States Department of Education:			
Direct:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	<u>466,326.22</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	806,715.05
Special Education - Preschool Grants	84.173	267	55,152.50
ARRA - Special Education Grants to States, Recovery Act	84.391	263	306,983.59
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	<u>13,038.48</u>
Total Special Education Cluster			<u>1,181,889.62</u>
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,522,672.35
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	<u>566,863.41</u>
Total Title I, Part A Cluster			<u>2,089,535.76</u>
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	794,182.95
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	<u>112,088.10</u>
Total State Stabilization Fund Cluster			<u>906,271.05</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	35,488.71
Migrant Education - State Grant Program	84.011	217	49,064.10
Career and Technical Education - Basic Grants to States	84.048	161	81,297.23
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	13,210.39
Education Technology State Grants	84.318	121, 122	38,443.00
Transition to Teaching	84.350	227	53,006.08
Rural Education	84.358	110	50,084.23
Improving Teacher Quality State Grants	84.367	224	200,980.27
School Improvement Grants	84.377	126	49,963.92
Washington County District School Board:			
Funds for the Improvement of Education	84.215	None	748.76
Reading First State Grants	84.357	None	<u>28,360.29</u>
Total Indirect			<u>4,778,343.41</u>
Total United States Department of Education			<u>5,244,669.63</u>
United States Department of Homeland Security:			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	228,915.67
Florida Department of Community Affairs:			
Homeland Security Grant Program	97.067	None	<u>8,467.00</u>
Total United States Department of Homeland Security			<u>237,382.67</u>
Total Expenditures of Federal Awards			<u>\$ 6,598,271.63</u>

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

(2) Noncash Assistance.

(A) National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of emergency shelter generator and installation costs of \$228,915.67.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Madison County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to 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. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Madison County District School Board's financial statements. For the discretely presented component unit, 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 a certain additional matter that is discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

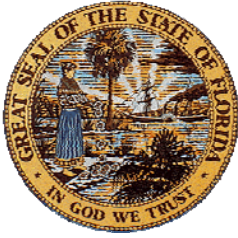
Management's response to the finding described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 9, 2011



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Madison County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (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, 2010. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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*. 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct

and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 9, 2011

**MADISON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); State Fiscal Stabilization Cluster (CFDA Nos. 84.394 and 84.397 - ARRA); and Safe and Drug-Free Schools and Communities – National Programs (CFDA No 84.184)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**MADISON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

ADDITIONAL MATTER

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on 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 adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedules for instructional personnel and school-based administrators and applicable union contracts for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The instructional personnel salary schedule and union contracts did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.

The instructional personnel salary schedule and union contracts provided salary supplements for additional activities that instructional personnel performed beyond the standard seven and one-half hour day, such as supplements for athletic coaches and band directors. However, neither the salary schedule nor the union contracts evidenced consideration of differentiated pay based on school demographics, critical shortage areas, and level of performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule included reasonable consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based

on the type of schools. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2010-056.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS

*MADISON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2010-056 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) / Procurement – Contract Administration	Improvements should be made in procedures to include required contractual provisions for expenditures funded with Federal funds.	Corrected.	The District has enhanced procedures relating to required contractual provisions for Federal expenditures.

EXHIBIT A
MANAGEMENT'S RESPONSE

District School Board of Madison County

210 NE Duval Avenue · Madison Florida 32340

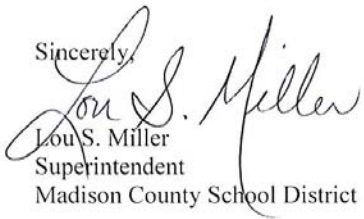
11/30/10

Dear Mr. Martin,

In regards to the finding stated below the Madison County School District is currently in negotiations and intends to implement formal policies and procedures to ensure that a portion of each instructional employee's compensation is based upon performance upon conclusion of the bargaining process.

Additional Matter

Finding No. 1: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Sincerely,

Lou S. Miller
Superintendent
Madison County School District

PHONE 850-973-5022 FAX 850-973-5027 ANNEX FAX 850-973-5017 WWW.MADISON.K12.FL.US

Lou S. Miller Superintendent - Susie B. Williamson District 1 - Kenneth Hall District 2 - VeEtta L. Hagan District 3 - Clyde Alexander District 4 - Bart Alford District 5

An Equal Opportunity Employer 32340