

**MADISON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2011



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	<u>District No.</u>
Susie B. Williamson to 11-2-10, Vice Chair (1)	1
Tina Johnson from 11-16-10	1
Kenneth D. Hall, Vice Chair from 11-16-10	2
VeEtta L. Hagan, Chair from 11-16-10	3
Clyde Alexander, Jr.	4
Bart Alford, Chair to 11-15-10	5

Lou S. Miller, Superintendent

Note: (1) Board member retired on 11-2-10 and position was vacant from 11-2-10 to 11-15-10.

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

The audit team leader was Tiffany R. Wilson, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit 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
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The Board had not 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 (2010), 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 (2010).

Finding No. 2: Improvements were needed in controls over personnel and payroll procedures.

Finding No. 3: Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.

Finding No. 4: Controls over expenditure processing could be enhanced.

Finding No. 5: District records did not evidence that the Board awarded a contract for energy education training consistent with competitive selection requirements of State Board of Education Rule 6A-1.012, Florida Administrative Code.

Finding No. 6: Controls over electronic funds transfers could be enhanced.

Finding No. 7: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 8: Certain information technology (IT) security controls related to data loss prevention needed improvement.

Finding No. 9: The District did not have a written IT security incident response plan.

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; Educational Technology State Grants Cluster; School Improvement Grants Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note noncompliance and control deficiency findings as summarized below.

Federal Awards Finding No. 1: Controls to ensure costs are appropriately charged to Federal programs could be enhanced.

Federal Awards Finding No. 2: District procedures for reporting American Recovery and Reinvestment Act (ARRA) expenditures needed improvement.

Federal Awards Finding No. 3: District records did not always document that private schools were provided the opportunity to participate in Federal programs, and that private schools participating in Federal programs used Federal funds consistent with grant terms.

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. 2011-093.

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, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT 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, 2011, 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 15 percent of the assets and 57 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., the 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, 2011, 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, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN** and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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
January 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Madison County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. 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 40.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- During the current fiscal year, General Fund expenditures exceeded revenues by \$561,796. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$509,528.
- The total unassigned portion of the General Fund balance, which represents net current financial resources available for general appropriation by the Board, totals \$1,875,448, which is comparable to the undesignated fund balance of \$1,895,680 at June 30, 2010.
- The District issued new debt, which is comprised of District Revenue Bonds, Series 2010A, totaling \$1,310,000, used to refund the District Revenue Bonds, Series 1998; and Series 2010B, totaling \$1,190,000, used for renovations at Madison County High School.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

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, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-11	6-30-10
Current and Other Assets	\$ 5,484,680	\$ 3,740,038
Capital Assets	34,406,928	35,584,171
Total Assets	39,891,608	39,324,209
Long-Term Liabilities	6,226,876	5,405,566
Other Liabilities	639,095	281,966
Total Liabilities	6,865,971	5,687,532
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	31,441,928	33,789,171
Restricted	2,556,640	1,409,869
Unrestricted Deficit	(972,931)	(1,562,363)
Total Net Assets	\$ 33,025,637	\$ 33,636,677

The largest portion of the District’s net assets (95 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

Operating Results for the Fiscal Year Ended

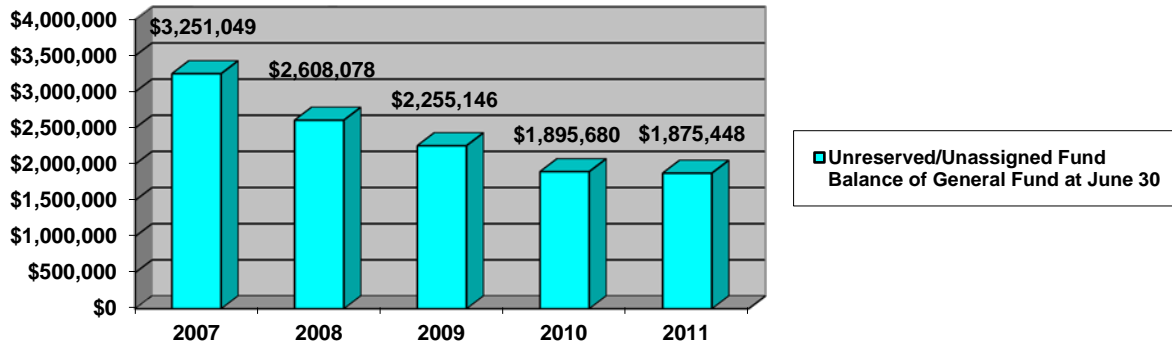
	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	\$ 284,452	\$ 281,899
Operating Grants and Contributions	1,118,033	1,119,194
Capital Grants and Contributions	215,328	143,888
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,237,466	4,410,793
Property Taxes, Levied for Capital Projects	973,015	998,810
Grants and Contributions Not Restricted to Specific Programs	20,846,291	18,853,736
Unrestricted Investment Earnings	9,682	8,896
Miscellaneous	471,722	450,773
Total Revenues	28,155,989	26,267,989
Functions/Program Expenses:		
Instruction	12,858,601	12,877,418
Pupil Personnel Services	910,633	715,083
Instructional Media Services	305,006	249,521
Instruction and Curriculum Development Services	2,008,114	1,787,954
Instructional Staff Training Services	975,706	758,075
Instruction Related Technology	193,525	192,263
School Board	262,171	254,061
General Administration	667,746	545,950
School Administration	1,443,418	1,360,862
Facilities Acquisition and Construction	249,028	237,796
Fiscal Services	381,483	347,882
Food Services	1,394,179	1,388,360
Central Services	211,186	185,659
Pupil Transportation Services	2,189,675	2,012,420
Operation of Plant	2,484,294	2,532,751
Maintenance of Plant	314,373	289,177
Administrative Technology Services	214,295	160,446
Unallocated Interest on Long-Term Debt	135,530	98,336
Unallocated Depreciation Expense	1,568,067	1,591,297
Total Functions/Program Expenses	28,767,030	27,585,311
Decrease in Net Assets	\$ (611,041)	\$ (1,317,322)

The largest revenue source is the State of Florida (49 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base. Revenues and expenses increased by \$1,888,000 and \$1,181,719, respectively, due to new Federal stimulus funds received.

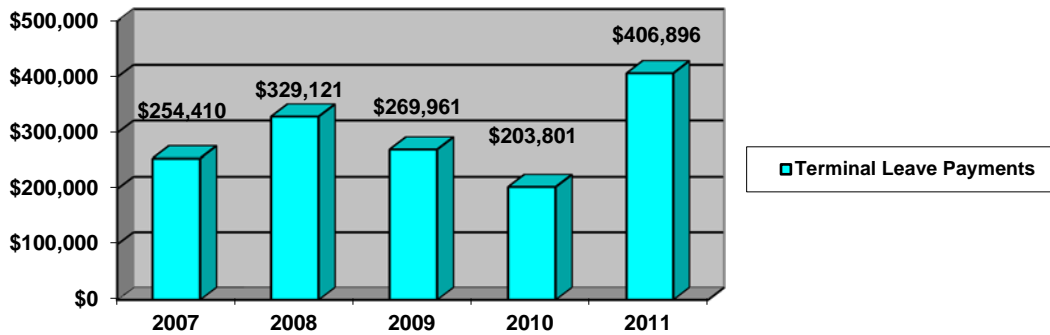
FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

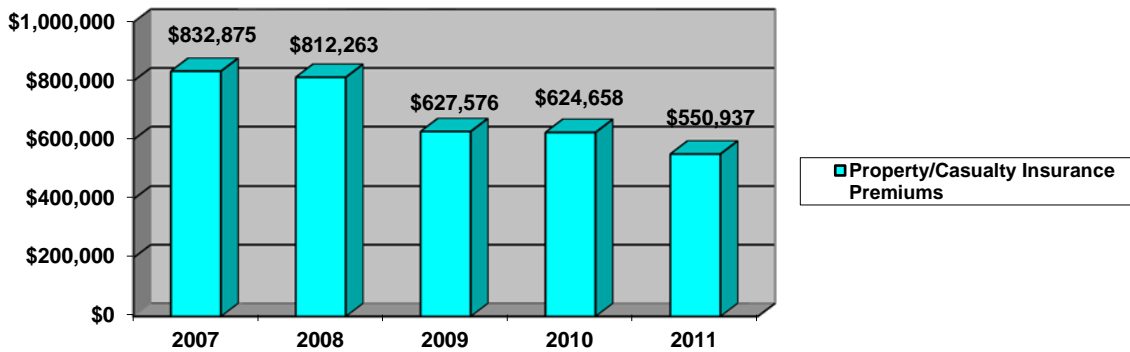
Unreserved/Unassigned Fund Balance of General Fund. The unreserved/unassigned fund balance of the General Fund has steadily decreased since the 2006-07 fiscal year due, in part, to declining student enrollment. At fiscal year-end, the General Fund unassigned fund balance was 10 percent of General Fund revenues, which is an indicator of the financial stability of the District.



Terminal Leave Payments. The General Fund pays terminal leave payments, which are a significant expense of the District, to retirees and nonretirees per School Board Policy SB 6.192. The following chart reflects these payments over the past five fiscal years. An increase of \$203,095 for the 2010-11 fiscal year was noted due to a large number of employees retiring as a result of changes to the retirement system.



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



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

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

Capital Projects – Local Capital Improvement Fund. The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$825,671, which is restricted for expenditures related to capital outlay. The fund balance of the Capital Projects – Local Capital Improvement Fund increased by \$197,291 because there were no major construction or renovation projects in the current year; however, approximately \$306,000 was used to purchase new school buses.

Capital Projects – Other Fund. The Capital Projects – Other Fund has a total fund balance of \$1,168,244, all of which is restricted for expenditures related to capital outlay. This fund was set up to account for proceeds of District Revenue Bonds Series 2010B totaling \$1,190,000, which will be used for renovations at Madison County High School. The difference between bond proceeds and fund balance is due to issuance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the original and final budgeted revenues and expenditures. Actual revenues were in line with final budgeted amounts. Actual expenditures were \$1,643,326 less than final budgeted amounts due, in part, to declining enrollment.

CAPITAL ASSETS AND LONG-TERM DEBT

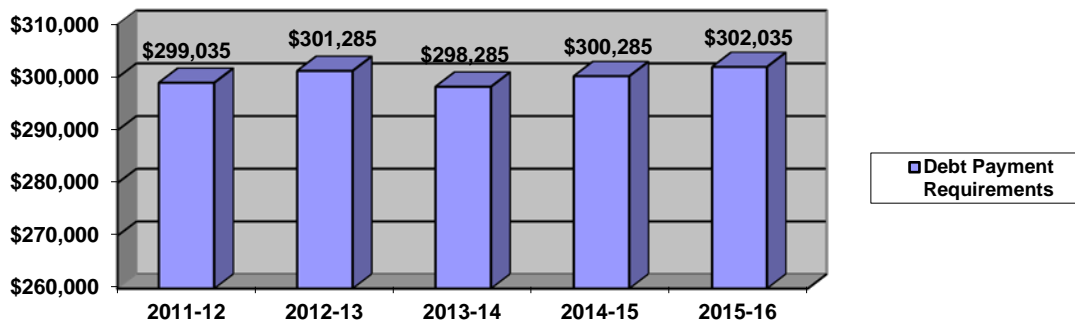
Capital Assets

Total capital assets (land, buildings, equipment, motor vehicles, etc.), before adjusting for accumulated depreciation, totaled \$54,911,013 compared to \$54,625,416 in the prior year. The increase is due primarily to the purchase of buses and computer equipment partially offset by the removal of surplus capital assets throughout the school year.

Long-Term Debt

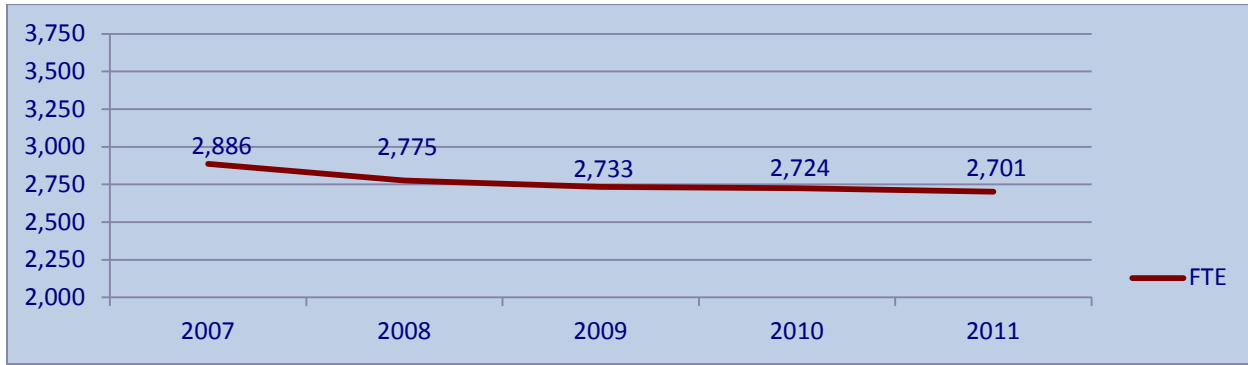
The District issued new long-term debt during the 2010-11 fiscal year. The new debt consists of \$2,500,000 from District Revenue Bonds (Series 2010A, Refunding, totaling \$1,310,000, and Series 2010B, totaling \$1,190,000), which were issued to refund the District Revenue Bonds, Series 1998, Refunding, and finance renovations at Madison County High School, respectively.

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 years, the District has experienced a significant decline in full-time equivalent (FTE) students, which is used for funding purposes. It is anticipated that this trend will continue.



REQUESTS FOR INFORMATION

This 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, 2011**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,776,907.82	\$ 34,987.00
Investments	104,304.13	
Accounts Receivable	16,362.12	14,998.00
Due from Other Agencies	502,289.83	
Prepaid Items		444,188.00
Inventories	84,815.71	
Capital Assets:		
Nondepreciable Capital Assets	747,629.03	
Depreciable Capital Assets, Net	<u>33,659,299.37</u>	
TOTAL ASSETS	<u>\$ 39,891,608.01</u>	<u>\$ 494,173.00</u>
LIABILITIES		
Salaries and Benefits Payable	\$ 139,718.42	\$
Accounts Payable	251,768.96	
Due to Other Agencies	220,742.16	
Deposits Payable	18,273.05	
Matured Interest Payable	8,592.50	
Long-Term Liabilities:		
Portion Due Within One Year	518,127.70	
Portion Due After One Year	<u>5,708,748.64</u>	
Total Liabilities	<u>6,865,971.43</u>	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	31,441,928.40	
Restricted for:		
State Required Carryover Programs	189,027.08	
Debt Service	16,491.31	
Capital Projects	2,236,084.33	
Food Service	115,036.77	
Other Purposes		440,500.00
Unrestricted (Deficit)	<u>(972,931.31)</u>	<u>53,673.00</u>
Total Net Assets	<u>33,025,636.58</u>	<u>494,173.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,891,608.01</u>	<u>\$ 494,173.00</u>

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

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**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 12,858,601.31	\$ 3,155.00	\$	\$
Pupil Personnel Services	910,632.56			
Instructional Media Services	305,005.57			
Instruction and Curriculum Development Services	2,008,114.48			
Instructional Staff Training Services	975,706.30			
Instruction Related Technology	193,524.60			
School Board	262,171.47			
General Administration	667,746.10			
School Administration	1,443,418.21			
Facilities Acquisition and Construction	249,028.27			140,807.70
Fiscal Services	381,482.61			
Food Services	1,394,178.98	281,163.94	1,118,032.71	
Central Services	211,186.33			
Pupil Transportation Services	2,189,674.79	133.00		
Operation of Plant	2,484,293.93			
Maintenance of Plant	314,373.08			
Administrative Technology Services	214,294.69			
Unallocated Interest on Long-Term Debt	135,530.07			74,520.32
Unallocated Depreciation Expense*	1,568,066.46			
Total Primary Government	\$ 28,767,029.81	\$ 284,451.94	\$ 1,118,032.71	\$ 215,328.02
Component Unit				
Madison County Foundation for Excellence in Education, Inc.	\$ 114,337.00	\$ 0.00	\$ 70,189.00	\$ 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.

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (12,855,446.31)	\$
(910,632.56)	
(305,005.57)	
(2,008,114.48)	
(975,706.30)	
(193,524.60)	
(262,171.47)	
(667,746.10)	
(1,443,418.21)	
(108,220.57)	
(381,482.61)	
5,017.67	
(211,186.33)	
(2,189,541.79)	
(2,484,293.93)	
(314,373.08)	
(214,294.69)	
(61,009.75)	
(1,568,066.46)	
<u>(27,149,217.14)</u>	
	<u>(44,148.00)</u>
4,237,465.94	
973,014.62	
20,846,290.64	61,532.00
9,682.49	14.00
<u>471,722.94</u>	
<u>26,538,176.63</u>	<u>61,546.00</u>
(611,040.51)	17,398.00
<u>33,636,677.09</u>	<u>476,775.00</u>
<u>\$ 33,025,636.58</u>	<u>\$ 494,173.00</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Economic Stimulus Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,025,856.18	\$	\$ 40,238.19
Investments	38,703.44		
Accounts Receivable	15,721.04	641.08	
Due from Other Funds	388,320.72		
Due from Other Agencies	60,942.63	190,672.77	220,879.63
Inventories	<u>20,282.82</u>		
TOTAL ASSETS	<u>\$ 2,549,826.83</u>	<u>\$ 191,313.85</u>	<u>\$ 261,117.82</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 139,718.42	\$	\$ 80,108.84
Accounts Payable	78,318.12	27,634.26	
Due to Other Funds	8,017.24	163,679.59	181,008.98
Due to Other Agencies	220,742.16		
Deposits Payable	18,273.05		
Matured Interest Payable			
Total Liabilities	<u>465,068.99</u>	<u>191,313.85</u>	<u>261,117.82</u>
Fund Balances:			
Nonspendable:			
Inventory	<u>20,282.82</u>		
Restricted for:			
Food Service			
State Required Carryover Programs	189,027.08		
Debt Service			
Capital Projects			
Total Restricted Fund Balance	<u>189,027.08</u>		
Unassigned Fund Balance	<u>1,875,447.94</u>		
Total Fund Balances	<u>2,084,757.84</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,549,826.83</u>	<u>\$ 191,313.85</u>	<u>\$ 261,117.82</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 811,835.55	\$ 1,138,923.70	\$ 760,054.20	\$ 4,776,907.82
2,247.69	29,320.56	34,032.44	104,304.13
		8,017.24	16,362.12
12,079.54		17,715.26	396,337.96
		64,532.89	502,289.83
<u>826,162.78</u>	<u>1,168,244.26</u>	<u>884,352.03</u>	<u>5,881,017.57</u>
\$ 491.62	\$	\$ 65,216.12	\$ 139,718.42
		43,632.15	251,768.96
			396,337.96
			220,742.16
			18,273.05
		8,592.50	8,592.50
<u>491.62</u>		<u>117,440.77</u>	<u>1,035,433.05</u>
		64,532.89	84,815.71
		50,503.88	50,503.88
		16,491.31	189,027.08
825,671.16	1,168,244.26	242,168.91	2,236,084.33
<u>825,671.16</u>	<u>1,168,244.26</u>	<u>309,164.10</u>	<u>2,492,106.60</u>
		393,214.27	2,268,662.21
825,671.16	1,168,244.26	766,911.26	4,845,584.52
<u>\$ 826,162.78</u>	<u>\$ 1,168,244.26</u>	<u>\$ 884,352.03</u>	<u>\$ 5,881,017.57</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total Fund Balances - Governmental Funds \$ 4,845,584.52

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. 34,406,928.40

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

Bonds Payable	\$ 2,965,000.00	
Compensated Absences Payable	2,926,645.34	
Other Postemployment Benefits Payable	335,231.00	(6,226,876.34)

Total Net Assets - Governmental Activities **\$ 33,025,636.58**

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

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**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$	\$ 580,402.93	\$ 3,362,453.26
Federal Through State and Local	158,112.86	3,105,024.35	3,362,453.26
State	13,424,549.86		
Local:			
Property Taxes	4,237,465.94		
Charges for Services	3,288.00		
Miscellaneous	467,825.59		
Total Revenues	18,291,242.25	3,685,427.28	3,362,453.26
Expenditures			
Current - Education:			
Instruction	9,900,555.09	1,825,442.81	1,481,293.23
Pupil Personnel Services	527,412.73	216,260.51	166,959.32
Instructional Media Services	164,502.74	20,863.46	119,639.37
Instruction and Curriculum Development Services	676,889.35	1,024,343.00	306,882.13
Instructional Staff Training Services	154,363.30	186,586.68	634,756.32
Instruction Related Technology	180,561.03		12,963.57
School Board	262,171.47		
General Administration	346,654.15	208,403.95	112,688.00
School Administration	1,307,882.61	1,266.00	134,269.60
Facilities Acquisition and Construction	1,980.00	16,666.00	
Fiscal Services	372,062.69		9,419.92
Food Services	33,535.00		17,323.78
Central Services	198,917.28	5,717.00	6,552.05
Pupil Transportation Services	1,764,696.84	11,109.94	27,005.95
Operation of Plant	2,399,019.43	66,433.86	18,840.64
Maintenance of Plant	305,899.41		8,473.67
Administrative Technology Services	206,253.42		2,593.33
Fixed Capital Outlay:			
Other Capital Outlay	49,681.35	102,334.07	302,792.38
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	18,853,037.89	3,685,427.28	3,362,453.26
Excess (Deficiency) of Revenues Over Expenditures	(561,795.64)		
Other Financing Sources (Uses)			
Transfers In	323,249.03		
District Revenue Bonds Issued			
Insurance Loss Recoveries	5,831.22		
Payments to Escrow Agent for Refunded Bonds			
Transfers Out			
Total Other Financing Sources (Uses)	329,080.25		
Net Change in Fund Balances	(232,715.39)		
Fund Balances, Beginning	2,317,473.23		
Fund Balances, Ending	\$ 2,084,757.84	\$ 0.00	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		1,095,081.71	580,402.93
		454,026.40	7,720,672.18
973,014.62			13,878,576.26
		281,163.94	5,210,480.56
332.13	2,392.26	5,024.23	284,451.94
<u>973,346.75</u>	<u>2,392.26</u>	<u>1,835,296.28</u>	<u>475,574.21</u>
			13,207,291.13
			910,632.56
			305,005.57
			2,008,114.48
			975,706.30
			193,524.60
			262,171.47
			667,746.10
130,709.00		99,673.27	1,443,418.21
			249,028.27
			381,482.61
		1,343,320.20	1,394,178.98
			211,186.33
			1,802,812.73
			2,484,293.93
5,447.94			314,373.08
			214,294.69
316,649.66		6,228.13	777,685.59
		50,000.00	50,000.00
	24,148.00	104,005.83	128,153.83
<u>452,806.60</u>	<u>24,148.00</u>	<u>1,603,227.43</u>	<u>27,981,100.46</u>
<u>520,540.15</u>	<u>(21,755.74)</u>	<u>232,068.85</u>	<u>169,057.62</u>
			323,249.03
	1,190,000.00	1,310,000.00	2,500,000.00
			5,831.22
		(1,287,376.24)	(1,287,376.24)
<u>(323,249.03)</u>			<u>(323,249.03)</u>
<u>(323,249.03)</u>	<u>1,190,000.00</u>	<u>22,623.76</u>	<u>1,218,454.98</u>
197,291.12	1,168,244.26	254,692.61	1,387,512.60
628,380.04		512,218.65	3,458,071.92
<u>\$ 825,671.16</u>	<u>\$ 1,168,244.26</u>	<u>\$ 766,911.26</u>	<u>\$ 4,845,584.52</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, 2011**

Net Change in Fund Balances - Governmental Funds \$ 1,387,512.60

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (1,177,242.93)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 by which proceeds exceed repayments in the current fiscal year. (1,170,000.00)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 471,865.82

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (123,176.00)

Change in Net Assets - Governmental Activities \$ (611,040.51)

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITITES -
FIDUCIARY FUNDS
June 30, 2011**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 154,362.24
LIABILITIES	
Internal Accounts Payable	\$ 154,362.24
NET ASSETS	

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the 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, 2011. The audit report is filed in the District's administrative offices.

➤ **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 District 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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- 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.
- Capital Projects – Other Fund – to account for resources to be used for financing of the acquisition, construction, and equipping of certain capital improvements to the Madison County High School.

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.

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned 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. These 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, 2011, 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 0.78965331 at June 30, 2011. 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.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **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 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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

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 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 2010 tax levy on September 9, 2010. 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.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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.

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 Board meeting prior to the due date for the annual financial report.
- 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, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 3,410,976.67
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	87,812.82
Debt Service Accounts	6 Months	16,491.31
Total Investments, Primary Government		<u>\$ 3,515,280.80</u>

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

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in 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, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

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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	1,794,400.55			1,794,400.55
Buildings and Fixed Equipment	43,555,427.49			43,555,427.49
Furniture, Fixtures, and Equipment	4,335,316.48	405,456.64	404,609.37	4,336,163.75
Motor Vehicles	3,239,910.46	343,883.00	5,051.00	3,578,742.46
Audio Visual Materials and Computer Softw are	952,732.29	28,345.95	82,428.16	898,650.08
Total Capital Assets Being Depreciated	53,877,787.27	777,685.59	492,088.53	54,163,384.33
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,065,802.38	77,159.22		1,142,961.60
Buildings and Fixed Equipment	10,879,316.97	871,108.55		11,750,425.52
Furniture, Fixtures, and Equipment	3,412,984.58	591,452.74	404,609.37	3,599,827.95
Motor Vehicles	2,730,408.75	386,862.06	5,051.00	3,112,219.81
Audio Visual Materials and Computer Softw are	952,732.29	28,345.95	82,428.16	898,650.08
Total Accumulated Depreciation	19,041,244.97	1,954,928.52	492,088.53	20,504,084.96
Total Capital Assets Being Depreciated, Net	34,836,542.30	(1,177,242.93)		33,659,299.37
Governmental Activities Capital Assets, Net	\$ 35,584,171.33	\$ (1,177,242.93)	\$ 0.00	\$ 34,406,928.40

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 386,862.06
Unallocated	1,568,066.46
Total Depreciation Expense - Governmental Activities	\$ 1,954,928.52

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

5. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 465,000	5.00	2018
District Revenue Bonds:			
Series 2010A, Refunding	1,310,000	3.39	2021
Series 2010B	<u>1,190,000</u>	5.39	2027
Total Bonds Payable	<u>\$2,965,000</u>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

The School Board issued District Revenue Bonds, Series 2010A, Refunding, and 2010B Qualified School Construction Bonds. Due to the issuance of the Series 2010B bonds as Qualified School Construction Bonds, a portion of the interest paid on the Series 2010B bonds will be rebated to the Board by the United States Treasury pursuant to the American Recovery and Reinvestment Act. 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 (2001)). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$3,622,343.50 of sales tax revenues in connection with the District revenue bonds, described above. During the 2010-11 fiscal year, the District recognized sales tax revenues totaling \$217,000 and expended \$102,344.32 (47percent) of these revenues for debt service directly collateralized by these revenues.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	81,250.00	70,000.00	11,250.00
2017-2018	<u>166,750.00</u>	<u>155,000.00</u>	<u>11,750.00</u>
Total State School Bonds	<u>563,750.00</u>	<u>465,000.00</u>	<u>98,750.00</u>
District Revenue Bonds:			
2012	220,785.00	112,235.00	108,550.00
2013	220,785.00	116,040.00	104,745.00
2014	220,785.00	119,974.00	100,811.00
2015	220,785.00	124,041.00	96,744.00
2016	220,785.00	128,246.00	92,539.00
2017-2021	1,103,925.00	709,464.00	394,461.00
2022-2026	1,205,469.99	991,666.65	213,803.34
2027	<u>209,023.51</u>	<u>198,333.35</u>	<u>10,690.16</u>
Total District Revenue Bonds	<u>3,622,343.50</u>	<u>2,500,000.00</u>	<u>1,122,343.50</u>
Total	<u>\$ 4,186,093.50</u>	<u>\$ 2,965,000.00</u>	<u>\$ 1,221,093.50</u>

6. DEFEASED DEBT

On September 22, 2010, the Board issued \$2,500,000 in District Revenue Bonds, which consist of \$1,310,000 Series 2010A, Refunding, totaling \$1,310,000 and 2010B Qualified School Construction Bonds (QCCBs) totaling \$1,190,000, with average interest rates of 3.39 and 5.39 percent, respectively. The refunding bonds are being issued to refund the \$1,280,000 principal amount of the District's Revenue Bonds, Series 1998, Refunding, that mature on or after July 1, 2018. The net proceeds of \$1,166,200 (after payment of \$51,801 in issuance costs and \$1,998.24 in interest) were placed in a restricted account to provide for the financing of the acquisition, construction, and equipping of certain capital improvements to the Madison County High School. As a result, all of the District Revenue Bonds, Series 1998, Refunding, are considered to be defeased, and the liability for these bonds have been removed from the government-wide financial statements.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Issuance of the Series 1998, Refunding, bonds and QSCBs increased the District’s total debt service payments over the next 10 years by approximately \$36,082.62 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$49,209.09.

7. 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	\$ 1,795,000.00	\$ 2,500,000.00	\$ 1,330,000.00	\$ 2,965,000.00	\$ 167,235.00
Compensated Absences Payable	3,398,511.16	64,969.96	536,835.78	2,926,645.34	350,892.70
Other Postemployment Benefits Payable	<u>212,055.00</u>	<u>266,677.00</u>	<u>143,501.00</u>	<u>335,231.00</u>	
Total Governmental Activities	<u>\$ 5,405,566.16</u>	<u>\$ 2,831,646.96</u>	<u>\$ 2,010,336.78</u>	<u>\$ 6,226,876.34</u>	<u>\$ 518,127.70</u>

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

8. 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	\$ 388,320.72	\$ 8,017.24
Special Revenue:		
Other		163,679.59
Federal Economic Stimulus		181,008.98
Nonmajor Governmental	<u>8,017.24</u>	<u>43,632.15</u>
Total	<u>\$ 396,337.96</u>	<u>\$ 396,337.96</u>

Interfund receivables and payables include 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 323,249.03	\$
Capital Projects:		
Local Capital Improvement		323,249.03
Total	\$ 323,249.03	\$ 323,249.03

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

9. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Finance Director and Board approval and not included in other categories. The District did not have any assigned fund balances at June 30, 2011.

➤ **Unassigned**

The portion of fund balance that is residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue sources for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 10,558,730.00
Categorical Educational Program - Class Size Reduction	2,503,330.00
Gross Receipts Tax (Public Education Capital Outlay)	108,456.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	106,872.02
School Recognition	64,329.00
Workforce Development Program	34,556.00
Mobile Home License Tax	25,603.97
Food Service Supplement	23,284.00
Discretionary Lottery Funds	8,965.00
Miscellaneous	<u>444,450.27</u>
 Total	 <u><u>\$ 13,878,576.26</u></u>

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.513	\$ 3,680,451.31
Basic Discretionary Local Effort	0.748	499,361.02
Critical Operating Needs	0.250	166,898.74
 CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,001,393.47
Total	8.011	\$ 5,348,104.54

12. 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 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, 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.

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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.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled \$1,337,744.59, \$1,319,660.23, and \$1,457,555.81, respectively, which were equal to the required contributions for each fiscal year. There were 30 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$98,770.51.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of compensation to FRS.

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13. 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 and prescription drug 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 24 months following their date of retirement. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The 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 2010-11 fiscal year, 48 retirees received other postemployment benefits. The District provided required contributions of \$143,501 toward the annual OPEB cost, net of retiree contributions totaling \$354,826, which represents 4.25 percent of covered payroll.

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

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Description	Amount
Normal Cost (service cost for one year)	\$ 100,385
Amortization of Unfunded Actuarial Accrued Liability	174,655
Annual Required Contribution	275,040
Interest on Net OPEB Obligation	7,528
Adjustment to Annual Required Contribution	(15,891)
Annual OPEB Cost (Expense)	266,677
Contribution Toward the OPEB Cost	(143,501)
Increase in Net OPEB Obligation	123,176
Net OPEB Obligation, Beginning of Year	212,055
Net OPEB Obligation, End of Year	\$ 335,231

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, 2011, and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 230,911	54.5%	\$ 104,971
2009-10	236,704	54.8%	212,055
2010-11	266,677	53.8%	335,231

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$2,290,358, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,290,358 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$8,346,253, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27.4 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

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costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District’s OPEB actuarial valuation as of October 1, 2010, the most recent valuation date, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the frozen entry age normal cost actuarial method to estimate the District’s 2010-11 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 9 percent initially for the 2010-11 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight years. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. 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, 2011, was 13 years.

14. OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

Major Funds						
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 41,118.20	\$12,917.69	\$38,898.61	\$ 19,686.67	\$ 305,575.04	\$ 5,853.39	\$424,049.60

15. RISK MANAGEMENT PROGRAMS

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

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JUNE 30, 2011**

superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

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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, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local	117,000.00	117,000.00	158,112.86	41,112.86
State	13,679,489.77	13,424,822.44	13,424,549.86	(272.58)
Local:				
Property Taxes	4,141,406.00	4,141,406.00	4,237,465.94	96,059.94
Charges for Services			3,288.00	3,288.00
Miscellaneous	303,785.34	406,662.39	467,825.59	61,163.20
Total Revenues	18,241,681.11	18,089,890.83	18,291,242.25	201,351.42
Expenditures				
Current - Education:				
Instruction	10,418,292.51	10,876,577.62	9,900,555.09	976,022.53
Pupil Personnel Services	478,666.14	543,715.37	527,412.73	16,302.64
Instructional Media Services	180,071.53	183,936.01	164,502.74	19,433.27
Instruction and Curriculum Development Services	1,008,826.17	693,110.35	676,889.35	16,221.00
Instructional Staff Training Services	150,548.21	242,734.22	154,363.30	88,370.92
Instruction Related Technology	176,438.28	183,059.39	180,561.03	2,498.36
School Board	233,698.18	262,181.72	262,171.47	10.25
General Administration	982,452.47	654,352.72	346,654.15	307,698.57
School Administration	1,387,424.40	1,413,849.94	1,307,882.61	105,967.33
Facilities Acquisition and Construction	12,322.44	14,302.44	1,980.00	12,322.44
Fiscal Services	351,740.15	372,072.36	372,062.69	9.67
Food Services	14,872.47	33,604.09	33,535.00	69.09
Central Services	355,539.96	233,468.08	198,917.28	34,550.80
Pupil Transportation Services	1,604,322.48	1,766,080.10	1,764,696.84	1,383.26
Operation of Plant	2,254,296.01	2,440,363.27	2,399,019.43	41,343.84
Maintenance of Plant	301,072.82	306,224.63	305,899.41	325.22
Administrative Technology Services	213,912.70	227,049.77	206,253.42	20,796.35
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay		49,681.35	49,681.35	
Total Expenditures	20,124,496.92	20,496,363.43	18,853,037.89	1,643,325.54
Excess (Deficiency) of Revenues Over Expenditures	(1,882,815.81)	(2,406,472.60)	(561,795.64)	1,844,676.96
Other Financing Sources (Uses)				
Transfers In		478,000.00	323,249.03	(154,750.97)
Insurance Loss Recoveries			5,831.22	5,831.22
Transfers Out	(32,305.00)			
Total Other Financing Sources (Uses)	(32,305.00)	478,000.00	329,080.25	(148,919.75)
Net Change in Fund Balances	(1,915,120.81)	(1,928,472.60)	(232,715.39)	1,695,757.21
Fund Balances, Beginning	846,880.68	2,317,473.23	2,317,473.23	
Fund Balances, Ending	\$ (1,068,240.13)	\$ 389,000.63	\$ 2,084,757.84	\$ 1,695,757.21

Special Revenue - Other				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,778,105.01	\$ 4,386,024.03	\$ 3,105,024.35	\$ 580,402.93 (1,280,999.68)	\$ 2,394,682.97	\$ 3,617,911.79	\$ 3,362,453.26	\$ (255,458.53)
<u>2,778,105.01</u>	<u>4,386,024.03</u>	<u>3,685,427.28</u>	<u>(700,596.75)</u>	<u>2,394,682.97</u>	<u>3,617,911.79</u>	<u>3,362,453.26</u>	<u>(255,458.53)</u>
1,165,850.22	2,021,509.32	1,825,442.81	196,066.51	1,582,013.09	1,572,612.99	1,481,293.23	91,319.76
224,480.70	348,186.29	216,260.51	131,925.78	64,807.52	191,512.83	166,959.32	24,553.51
	22,786.88	20,863.46	1,923.42	40,000.00	135,035.91	119,639.37	15,396.54
979,333.51	1,122,854.10	1,024,343.00	98,511.10	187,919.95	311,013.75	306,882.13	4,131.62
184,912.51	327,061.84	186,586.68	140,475.16	418,680.57	715,958.99	634,756.32	81,202.67
	4,000.00		4,000.00		13,303.57	12,963.57	340.00
64,772.07	246,822.09	208,403.95	38,418.14	98,953.55	133,413.83	112,688.00	20,725.83
1,266.00	11,666.00	1,266.00	10,400.00		134,269.60	134,269.60	
25,106.00	25,106.00	16,666.00	8,440.00				
					9,419.92	9,419.92	
				2,308.29	35,112.38	17,323.78	17,788.60
7,500.00	14,360.00	5,717.00	8,643.00		6,552.05	6,552.05	
47,430.00	56,919.82	11,109.94	45,809.88		27,005.95	27,005.95	
77,454.00	80,417.62	66,433.86	13,983.76		18,840.64	18,840.64	
					8,473.67	8,473.67	
					2,593.33	2,593.33	
	2,000.00		2,000.00				
	<u>102,334.07</u>	<u>102,334.07</u>			<u>302,792.38</u>	<u>302,792.38</u>	
<u>2,778,105.01</u>	<u>4,386,024.03</u>	<u>3,685,427.28</u>	<u>700,596.75</u>	<u>2,394,682.97</u>	<u>3,617,911.79</u>	<u>3,362,453.26</u>	<u>255,458.53</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</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 - SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (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%
October 1, 2010		2,290,358	2,290,358	0.0%	8,346,253	27.4%

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

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, 2011**

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	\$ 222,566.68
National School Lunch Program	10.555	300	777,132.46
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	<u>90,887.43</u>
Total Child Nutrition Cluster			<u>1,090,586.57</u>
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	592	<u>4,495.14</u>
Total United States Department of Agriculture			<u>1,095,081.71</u>
United States Department of Education:			
Direct:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	<u>580,402.93</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	763,196.81
Special Education - Preschool Grants	84.173	267	53,677.13
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	344,543.12
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	<u>7,910.52</u>
Total Special Education Cluster			1,169,327.58
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,700,142.25
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	<u>309,625.88</u>
Total Title I, Part A Cluster			2,009,768.13
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	14,436.88
ARRA - Education Technology State Grants, Recovery Act	84.386	121,122	<u>717,347.85</u>
Total Educational Technology State Grants Cluster			731,784.73
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	60,875.08
ARRA - School Improvement Grants, Recovery Act	84.388	126	<u>523,852.04</u>
Total School Improvement Grants Cluster			584,727.12
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591, 592	778,607.05
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	<u>29,680.31</u>
Total State Fiscal Stabilization Fund Cluster			808,287.36
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	68,061.04
Migrant Education - State Grant Program	84.011	217	81,858.82
Career and Technical Education - Basic Grants to States	84.048	161	88,174.76
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	14,400.26
Transition to Teaching	84.350	227	54,189.38
Rural Education	84.358	110	74,039.11
Improving Teacher Quality State Grants	84.367	224	214,733.00
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	9,452.67
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	44,503.28
Education Jobs Fund	84.410	541	481,290.42
Washington County District School Board:			
Funds for the improvement of Education	84.215	None	328.83
Reading First State Grants	84.357	None	<u>3,753.69</u>
Total Indirect			<u>6,438,680.18</u>
Total United States Department of Education			<u>7,019,083.11</u>
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	<u>32,955.00</u>
Total Expenditures of Federal Awards			<u>\$ 8,147,119.82</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 - 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.



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AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT 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, 2011, 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 certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

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
January 31, 2012



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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT 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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 2, and 3.

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 control 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 2, and 3. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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
January 31, 2012

**MADISON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 a 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 a material weakness(es)?	Yes
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 Circular A-133?	Yes
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); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 – ARRA); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 – ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 – ARRA and 84.397 – ARRA); and Education Jobs Fund (CFDA No. 84.410)
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, 2011**

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),¹ provided 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 (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule was subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide 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 to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and 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 (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 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 (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes, (2010), 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.

The instructional personnel salary schedule and union contracts provided salary supplements for additional activities that instructional personnel performed beyond the standard work day, such as supplements for athletic coaches and band directors. However, neither the salary schedule nor the union contracts evidenced

¹ Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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 (2010).

- **School-based Administrators.** The school-based administrators’ salary schedule evidenced 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 school. 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 (2010).

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, 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 differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee’s performance correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-093.

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.

Finding No. 2: Personnel and Payroll Records

Board policies require that personnel records contain information to support the basis for salary payments, and that payrolls be signed by designated administrative employees to authorize these payments. Our review of District records to determine the propriety of salary payments disclosed that they were generally appropriate and sufficiently supported; however, District procedures for personnel and payroll processing could be enhanced as follows:

- The Board-approved salary schedule provided additional pay for instructors who held master’s degrees. Our test of 23 instructors who received the additional pay disclosed that District records supported the additional pay for 20 of the instructors, but did not initially contain evidence of master’s degrees for 3 instructors, including 1 hired during the 2010-11 fiscal year. Subsequent to our inquiry, District personnel requested and obtained documentation to support the master’s degrees of the 3 instructors.
- The Board established a fiscal assistant position to provide 40 hours per week and, beginning in October 2011, an energy education specialist position to provide 18.75 hours per week. One employee was hired for both positions and compensated approximately \$35,600 as the fiscal assistant for the 2010-11 fiscal year and \$12,000 as the energy education specialist from October 2010 through June 2011. However, the District did not maintain time records to demonstrate that the employee provided the hours established for each position.

Maintaining adequate controls over salary payments require sufficient and appropriate records of employee educational credentials and employee time records to document the basis for these payments. Without such records, the risk increases that employees may be overpaid.

Recommendation: The District should enhance its controls over personnel and payroll processing to ensure employees are compensated consistent with Board intentions.

Finding No. 3: Financial Reporting

One of the principal methods that a school district uses to document accountability for the public resources that it receives and uses is by the information included in its annual financial report. As such, District personnel should ensure that the report is accurate and contains required disclosures so that users, such as the Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition.

Our review of the District's 2010-11 fiscal year annual financial report, as presented for audit, disclosed that improvements could be made in the District's financial reporting procedures. For example, on the government-wide statements, the compensated absences liability and related expense were overstated by \$940,731.64 each because District personnel incorrectly entered the amount into the accounting records. In addition, GAAP require that the basic financial statements include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to District activity. However, we noted several errors in the notes to financial statements, as discussed in the following examples:

- The District properly identified and reported major funds on the governmental fund financial statements as those with assets, liabilities, revenues, or expenditures representing at least 10 percent of the total governmental funds for the respective classifications. However, in the note disclosures, the District did not identify and define three funds that were major and identified and defined two funds as major that were not major.
- The District refunded its Series 1998 revenue bonds totaling approximately \$1.3 million by issuing revenue bonds in September 2010, and the liability for these bonds was properly excluded from the government-wide financial statements at June 30, 2011. However, the District did not disclose in its notes to financial statements required information regarding these transactions, such as the newly-created debt, totaling approximately \$2.5 million, used to defease the Series 1998 revenue bonds and an economic gain totaling approximately \$49,000.
- The District made temporary loans between its funds and properly reported these interfund receivables and payables of approximately \$396,000 each in the respective governmental fund; however, the amounts and purposes for these temporary loans was not disclosed in the notes to financial statements.
- The District properly reported a liability for certain other postemployment benefits (OPEB) on its government-wide financial statements for retired employees who continued to receive benefits offered by the District, and were required to provide certain note disclosures to describe the OPEB plan and funding status and progress. However, the disclosures did not identify the District's annual OPEB cost for the fiscal year, the amount contributed to the plan, and changes in the District's net OPEB obligation.

The above deficiencies occurred mainly because of oversights by District personnel. We extended our audit procedures to determine the adjustments necessary to properly report transactions and note disclosures, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate control procedures over financial reporting.

Recommendation: The District should enhance procedures to ensure proper financial reporting.

Finding No. 4: Expenditure Processing

Controls over the procurement of goods and services should provide, in part, for proper authorization of financial transactions and adequate safeguarding of District assets. The Board contracts for certain services, such as student tutorial and therapy services, and District personnel typically authorize the purchase of these services by issuing

purchase orders consistent with the contract terms. Generally, to evidence that student services were properly received, the District maintains records (e.g., service logs) to document information such as the independent contractor name, date of service, students served, and service start and completion times.

To determine whether controls over expenditure processing were designed properly and operating effectively, we tested 88 expenditures totaling approximately \$1 million and noted that controls could be enhanced. For example:

- The Board contracted with one tutoring and two therapy contractors for student services, and paid the contractors a total of approximately \$101,000 during the 2010-11 fiscal year. However, because District personnel did not timely compare amounts invoiced to contract amounts and service logs, the District made overpayments totaling \$1,925.67 to the contractors.
- During the 2010-11 fiscal year, the District paid approximately \$8,200 and \$3,900 for copier maintenance services and printing services, respectively; however, District records did not evidence contracts, purchase orders, or other records to establish the preauthorization for these services.
- District records disclosed a direct payment, pursuant to Section 112.061(13), Florida Statutes, of \$2,380 to a hotel for District employees to attend a conference; however, District records, such as hotel receipts or other correspondence, were not available to document the basis for this payment.

Additional control deficiencies over Federal program expenditures are discussed in Federal Awards Finding No. 1. Without effective procedures to confirm and document that goods and services are received consistent with contract provisions and prior to payment, there is an increased risk of defective goods or insufficient services and for overpayments to occur.

Recommendation: The District should enhance its expenditure processing procedures to ensure that purchases of goods and services are appropriately authorized, and that documentation evidencing the receipt of goods and services is obtained prior to payment. In addition, the District should take appropriate action, as necessary, to recover any overpayments.

Finding No. 5: Competitive Selection Process

Pursuant to SBE Rule 6A-1.012, FAC, the District is required to request bids from three or more sources for purchases exceeding \$50,000, or in lieu of requesting three bids, it may make purchases at the unit prices in contracts awarded by another school board when the bidder awarded the contract will permit purchases by the school board at the same terms, conditions, and unit prices awarded in such contract, and such purchases are to the economic advantage of the school board.

In September 2010, the Board approved a four-year contract with a corporation to provide energy education training and monitoring services for a monthly fee of \$9,200 for 48 consecutive months, or a total of \$441,600. Additional expenditures related to this contract included software costs of \$13,950 for the first year and \$2,093 for each of the following three years, and energy educational specialist salary and travel expenses, totaling approximately \$16,500. District personnel indicated the corporation was selected based on another school board's competitive selection process and provided the other school board's request for proposal; however, District records did not evidence the other school board's bid tabulations, contract for services, or other records to demonstrate the other school board's competitive selection process. We obtained information from the other school board regarding its contract for energy education training and monitoring services, and determined that the same corporation provided the services for both districts. However, the terms of the two contracts were not the same as the other school board's contract required that the corporation receive 35 percent of the gross savings generated; reimbursement of salaries and benefits for two full-time energy education specialists; and approximately \$65,000 for software, maintenance, and training over the five

year period. With differing contract terms, District records did not evidence that the District accepted the lowest and best price consistent with desired quality and performance or that the District received these services based on the same terms, conditions, and prices awarded to the other school board. Although SBE Rule 6A-1.012, FAC, allows the District to make purchases using bids of other school boards, it does not relieve the District from its responsibility to obtain necessary documentation to demonstrate the competitive selection process of other school boards.

Recommendation: The District should enhance its competitive selection process to ensure that it maintains documented evidence of compliance with the requirements of SBE Rule 6A-1.012, FAC.

Finding No. 6: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic funds transfers (EFTs) for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment consistent with the provisions of Chapter 668, Florida Statutes. Pursuant to Section 668.006, Florida Statutes, the District is responsible for implementing control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. In addition, SBE Rule 6A-1.0012, FAC, authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. Also, SBE Rule 6A-1.0012, FAC, requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

While the District does not use EFTs to make vendor payments, the District regularly makes EFTs for direct deposit of employee pay, payroll tax, and retirement contribution payments. The District used informal processes including verbal instructions, e-mail directions, and other reviews to monitor and control electronic transmission of funds; however, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, contrary to Section 1010.11, Florida Statutes. Also, District records did not evidence bank agreements establishing an understanding of the District's expectations and responsibilities of the bank and confirmations signed by the initiator and authorizer of EFTs to evidence the authenticity of EFTs, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that controls are in place, such as supervisory review and approval of journal entries and bank reconciliations, to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without properly established policies and procedures governing EFT activities, there is an increased risk that errors or fraud could occur and not be timely detected.

Recommendation: The Board should adopt formal written policies and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules.

Finding No. 7: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriations 9 and 109, each school district shall

report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

For the 2010-11 school year, the District reported to FDOE 18,125 adult general education contact hours and we tested 667 hours by reviewing attendance records for 10 students enrolled in 43 adult general education classes in the fall 2010 and spring 2011 semesters. Our test disclosed that the District underreported approximately 350 hours for 10 students enrolled in 38 classes mainly because District personnel did not properly calculate attendance hours using student enrollment and withdrawal or end-of-class dates. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education classes to FDOE. The District should also contact FDOE to determine proper resolution of the underreported hours.

Finding No. 8: Information Technology – Security Controls – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain District security controls related to data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

Finding No. 9: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to computer security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network security violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resources.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 – ARRA); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 - ARRA)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$2,325 (CFDA No. 84.388 – ARRA)

Allowable Costs/Cost Principles. United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. In addition, OMB Circular A-87 provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the unit. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of the certification. These certifications must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

For the 2010-11 fiscal year, the District reported School Improvement Grants (SIG) and Educational Technology (ET) program expenditures totaling \$584,727 and \$731,785, respectively, and the District paid salaries and benefits totaling \$288,631 and \$54,208, respectively, for these programs. To determine whether appropriate records were maintained for personnel funded by these grants, we requested records for one ET and four SIG employees who were fully funded by these grants. Appropriate semiannual certifications were provided for one SIG employee; however, one ET and three SIG employees who were paid a total of \$33,047 and \$133,409, respectively, did not maintain the required semiannual certifications because of oversights. Although the four employees appropriately certified to us that their time was spent solely on the applicable Federal awards, when personnel activity reports or other evidence to delineate the job responsibilities and work activities are not properly maintained, there is an increased risk that salary and benefits costs could be inappropriately charged to a Federal program.

To determine whether the District verified and documented that program services were properly received before payments were made, we reviewed supporting documentation for payments totaling \$264,057 and \$323,180 from the SIG and ET programs, respectively. Our review disclosed:

- District records did not initially evidence the basis for a payment of \$37,500 to a vendor that provided evaluation services for the ET program. Subsequent to our inquiry, the District provided supporting documentation to substantiate the expenditure, and the expenditure was consistent with the grant terms.
- Four payments totaling \$19,991 and two payments totaling \$8,509 from SIG and ET programs, respectively, were for allowable costs such as computer software, professional development services, and materials and supplies; however, District records did not evidence grant director approval of these purchases.
- Although the SIG program budget did not provide for purchases of furniture and equipment, the District made two payments totaling \$2,325 from this program for these items. These type purchases are allowable uses of SIG program resources; however, since the purchases were not specified in the grant budget, payments for these items represent questioned costs subject to disallowance by FDOE.

When Federal charges are not properly monitored, the risk increases that services may not be performed in accordance with grant terms and District intentions.

Recommendation: The District should enhance its procedures to ensure that certifications are prepared at least semiannually and maintained for employees who work solely on a single Federal award. Also, the District should enhance procedures to ensure that documentation evidencing the receipt of goods and services is obtained before payments are made. In addition, the District should document to FDOE the allowability of questioned costs for furniture and equipment purchases, totaling \$2,325.48, or restore this amount to the SIG program.

District Contact Person: Julia Waldrep, Director of Teaching and Learning

Federal Awards Finding No. 2:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: ARRA: State Fiscal Stabilization Fund – Education State Grants (CFDA No. 84.394); School Improvement Grants (CFDA No. 84.388); Title I Grants to Local Educational Agencies (CFDA No. 84.389); Educational Technology State Grants (CFDA No. 84.386)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$24,200 (CFDA No. 84.386)

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

For the period ended June 30, 2011, our comparison of reported expenditures through the On-Line Grant Reporting System to District records for four Federal programs, including ARRA - State Fiscal Stabilization, ARRA - SIG, ARRA - Title I, and ARRA - ET programs disclosed various differences. For example:

- The District recorded a total of approximately \$717,000 ARRA – ET program expenditures in its general ledger and reported this amount to FDOE; however, amounts recorded in the general ledger for certain expenditure types were not consistent with the individual amounts reported to FDOE. For instance, expenditures recorded in the general ledger for professional and technical services were \$24,200 more than the amount reported to FDOE and in the grant budget. As such, this amount represents questioned costs subject to disallowance by the grantor.
- Although appropriately budgeted for in the respective grant applications, the general ledger disclosed expenditures totaling \$6,192.55 and \$4,744.57 for ARRA - State Fiscal Stabilization and ARRA – SIG programs, respectively, that were not reported to FDOE. In addition, expenditures totaling \$1,249 were reported to FDOE for the ARRA – Title I program, but were not recorded in the general ledger.

District personnel indicated that these differences occurred because they did not amend the online budgets before the deadline and were not allowed to enter expenditures in excess of budget amounts. Federal expenditures inaccurately reported increases the risk that expenditures may be inconsistent with grant terms and conditions and subject to disallowance by grantors.

Recommendation: The District should enhance its procedures to ensure that Federal expenditures are accurately reported in appropriate categories to grantors and consistent with District accounting records. In addition, the District should document to FDOE the allowability of questioned costs totaling \$24,200 for ARRA - ET program professional and technical services or restore this amount to the ARRA – ET program.

District Contact Person: Andrew Barnes, Director of Finance

Federal Awards Finding No. 3:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 – ARRA); Special Education Cluster (CFDA Nos. 84.027 and 84.391 - ARRA); Educational Technology State Grants Cluster (84.318 and 84.386 - ARRA)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: Not Applicable**

Special Tests and Provisions – Private School Participation. Pursuant to Section 9501 of the Elementary and Secondary Education Act (ESEA), a local educational agency grantee is required to engage in timely and meaningful consultation with private school officials during the design and development of specified programs and to make such educational services or other benefits available to private school students and educational personnel. Section 9501 of the ESEA further provides that consultation with private school officials shall include such issues as to how the children's needs will be identified; what services will be offered; how the services will be assessed and how the results of the assessment will be used to improve those services; as well as other decisions about delivery of services. Also Title 34, Section 300, Code of Federal Regulations, provides, in part, for consultation with appropriate private school officials to provide special educational services or other benefits on an equitable basis to eligible children who are enrolled in private elementary and secondary schools.

During the 2010-11 fiscal year, there were four private schools in Madison County that could have received and used Federal funding from the District. However, enhancements could be made to ensure school officials were notified of the availability of this funding and that such funding was appropriately used, as discussed below:

- Guidance issued by the United States Department of Education provides that school districts should send an additional invitation for participation in ARRA Federal program services, and grant the opportunity for consultation regarding ARRA funds, to private schools that decline services in the initial notification of Federal programs availability, assuming the initial notification did not include such notification of ARRA funding availability. The District's initial written communication to the private schools did not disclose ARRA Federal programs available for private school participation during the 2010-11 fiscal year, and no additional notices were sent to the private schools notifying them of the availability of ARRA funds. None of the ARRA - Title I, ARRA - Special Education, or ARRA - ET funds were spent to provide services to private schools during the 2010-11 fiscal year, which may have resulted from the lack of the required additional notification.
- The District's ET program provides that private schools within the District must be given the opportunity to participate in the program on an equitable basis. The District certified that it provided for the equitable participation of private school children, their teachers, and other educational personnel in private schools located in Madison County and that the private schools did not wish to participate; however, District records, such as copies of notification letters provided to the private schools, were not available to evidence how the private schools were provided the opportunity to participate in the program.
- The Latma Christian Academy and Madison Academy private schools elected to participate in Title I and Special Education programs, and the District equitably allocated funds to the schools based on the number of private school students in the programs; however, District records did not evidence that these private schools used these funds for services relating to the programs. Our discussions with private school officials disclosed that the funding was used for some Title I and Special Education program services provided at their schools, but the officials were unaware of the value of the services.

Without District records to evidence that private school officials were timely notified of available Federal funding and that private schools participating in Federal programs appropriately used Federal funding, the risk increases that students attending those schools may not appropriately receive services from Federal grants.

Recommendation: The District should enhance its procedures to ensure that private schools are provided the opportunity to participate in Federal programs, those participating in Federal programs use Federal funds consistent with grant terms, and records are maintained evidencing these processes.

District Contact Persons: Julia Waldrep, Director of Teaching and Learning; Ramona Guess, Coordinator of Exceptional Education; Cheryl James, Director of Federal Programs; and Andrew Barnes, Director of Finance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2011-093.

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, 2011*

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

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2011-093		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

District School Board of Madison County

210 NE Duval Avenue • Madison Florida 32340

January 31, 2012

Management Response to Preliminary and Tentative Findings

Additional Matters

Finding No. 1: Management agrees with this finding and is currently working with the MCEA bargaining unit to implement a differentiated and performance pay plan.

Finding No. 2: Management agrees with this finding and is in process of adjusting procedures to insure proper time records and education credentials are in place.

Finding No. 3: Management agrees with this finding and is implementing procedures to help increase the accuracy of Financial reporting.

Finding No. 4: Management agrees with this finding and has enhanced procedures for processing vendor payments.

Finding No. 5: Management agrees with this finding and has adjusted the District's purchasing process to comply with SBE Rule 6A-1.012.

Finding No. 6: Management agrees with this finding.

Finding No. 7: Management agrees with this finding.

Finding No. 8: Management agrees with this finding.

Finding No. 9: Management agrees with this finding and is working with the IT department and the consortium to resolve this matter.

Federal Awards Findings

Finding No. 1: Management agrees with this finding and will work with the Department of Education for resolution.

Finding No. 2: Management agrees with this finding and will work with the Department of Education for resolution.

Finding No. 3: Management agrees with this finding and is working to enhance procedures regarding the inclusion of private schools.

Sincerely,



Andrew Barnes
Madison County School District
Director of Business Services

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Lou S. Miller Superintendent • District 1-Kenneth Hall District 2-VeEtra L. Hagan District 3-Clyde Alexander District 4-Bart Alford District 5

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