

**MADISON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENT

Madison County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Susie B. Williamson	1
Kenneth D. Hall	2
VeEtta L. Hagan, Chair to 11-17-08	3
Clyde Alexander, Jr., Vice Chair to 11-17-08, Chair from 11-18-08	4
Bart Alford, Vice Chair from 11-18-08	5

Lou S. Miller, Superintendent

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

The audit team leader was Edward A. Waller, and the audit was supervised by Cathy L. Bandy, CPA. 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) 487-9024; 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

We noted a certain matter involving the District's internal control over financial reporting and its operations that we consider to be a significant deficiency as summarized below. However, this significant deficiency is not considered to be a material weakness.

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.

SIGNIFICANT DEFICIENCY:

Finding No. 1: Improvements are needed in District procedures to ensure that financial statement note disclosures and information on the Schedule of Expenditures of Federal Awards are properly reported at fiscal year-end.

ADDITIONAL MATTERS:

Finding No. 2: Controls over monitoring the budget process could be enhanced.

Finding No. 3: The District lacked written policies and procedures for certain information technology functions.

Finding No. 4: Certain security controls in the areas of management of access privileges and user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Child Nutrition Cluster, and Hazard Mitigation programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding as summarized below.

Federal Awards Finding No. 1: Improvements should be made in procedures to include required contractual provisions for expenditures funded with Federal funds.

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. 2009-056

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. 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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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 16 percent of the assets and 69 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Madison County Foundation for Excellence in Education, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports 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 and the Madison County Foundation for Excellence in Education, Inc., 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, 2009, and the respective changes in financial position thereof for the 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 38 through 40) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
November 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Madison County has prepared the following discussion and analysis to assist the reader in focusing on significant financial issues, provide an overview and analysis of the District's financial activities, identify changes in the District's financial position, identify material deviations from the approved budget, and highlight significant issues in individual funds. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 10 through 37.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- During the current year, General Fund expenditures exceeded revenues by \$1,039,118. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$1,100,548.
- The District's financial status declined from the previous year. The General Fund unreserved fund balance decreased from \$2,608,078 as of June 30, 2008, to \$2,255,146 as of June 30, 2009.
- The resources available for appropriation through the Florida Education Finance Program (FEFP) were \$259,607 less than the original amount budgeted for the General Fund. Expenditures were maintained within spending limits through cost-cutting and close budgetary control.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue – Other 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, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current Assets	\$ 4,141,827	\$ 4,359,321
Capital Assets	36,593,867	37,786,996
Total Assets	40,735,694	42,146,317
Long-Term Liabilities	5,325,396	5,620,217
Other Liabilities	456,299	434,101
Total Liabilities	5,781,695	6,054,318
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	34,618,867	35,636,996
Restricted	1,341,363	1,179,799
Unrestricted Deficit	(1,006,231)	(724,796)
Total Net Assets	\$ 34,953,999	\$ 36,091,999

The largest portion of the District’s net assets (99 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

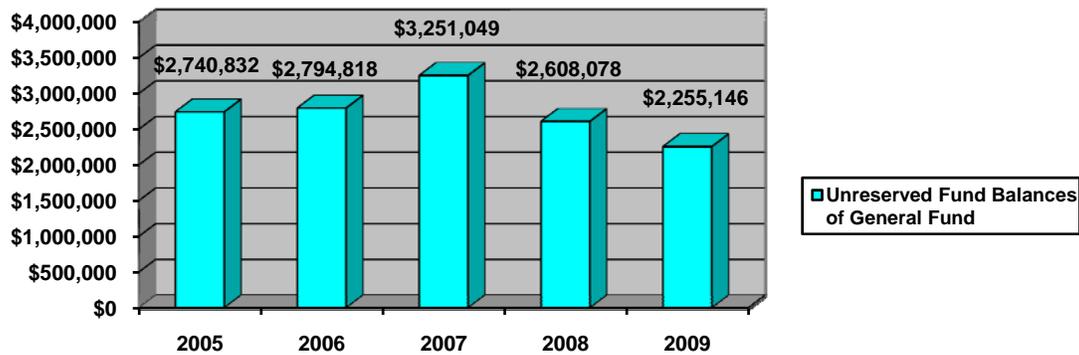
	Operating Results for the Year	
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 302,712	\$ 282,076
Operating Grants and Contributions	1,689,827	1,692,124
Capital Grants and Contributions	268,265	721,793
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,359,262	4,013,496
Property Taxes, Levied for Capital Projects	882,203	456,435
Grants and Contributions Not Restricted to Specific Programs	17,441,753	19,268,497
Unrestricted Investment Earnings	65,094	187,679
Miscellaneous	773,414	276,196
Total Revenues	25,782,530	26,898,296
Functions/Program Expenses:		
Instruction	12,105,191	12,956,369
Pupil Personnel Services	787,064	837,232
Instructional Media Services	283,160	451,220
Instruction and Curriculum Development Services	1,622,308	1,659,234
Instructional Staff Training Services	837,619	775,815
Instruction Related Technology	186,984	165,260
Board of Education	270,660	263,455
General Administration	432,743	397,089
School Administration	1,580,980	1,605,858
Facilities Acquisition and Construction	164,696	213,395
Fiscal Services	366,439	365,547
Food Services	1,353,311	1,311,559
Central Services	217,449	201,454
Pupil Transportation Services	1,882,215	2,077,617
Operation of Plant	2,524,851	2,726,311
Maintenance of Plant	280,202	326,787
Administrative Technology Services	272,986	295,962
Community Services	3,322	19,767
Interest on Long-Term Debt	106,481	113,683
Unallocated Depreciation Expense	1,624,747	1,759,155
Loss on Disposal of Capital Assets	17,122	
Total Functions/Program Expenses	26,920,530	28,522,769
Decrease in Net Assets	\$ (1,138,000)	\$ (1,624,473)

The largest revenue source is the State of Florida (58 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 decreased approximately \$1.1 million, due primarily to a reduction in FEFP funding. Expenses decreased \$1.6 million, due to a reduction in staff, supplies, and capital outlay expense.

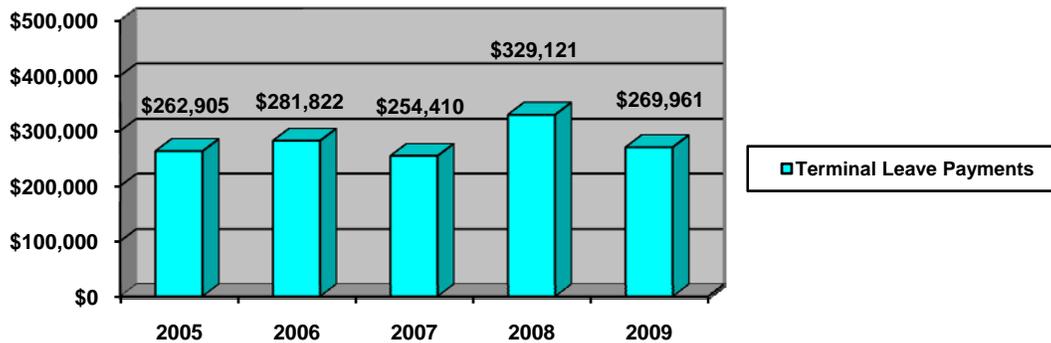
FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

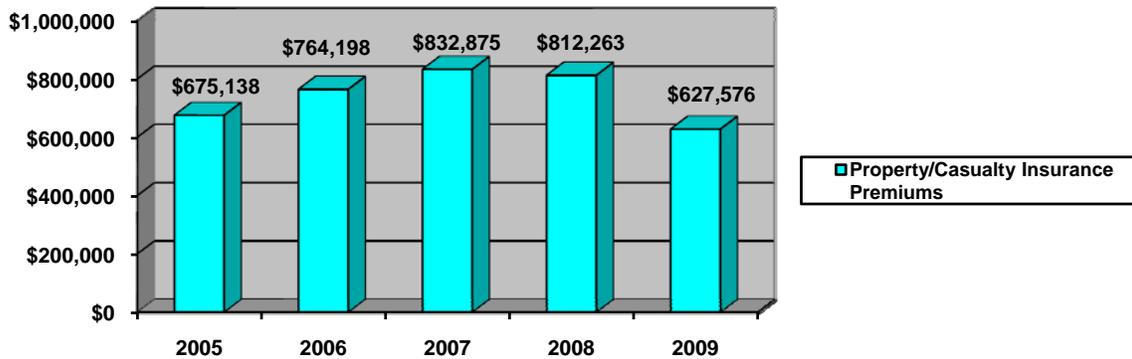
Unreserved Fund Balances of General Fund The unreserved fund balances of the General Fund have steadily decreased since the 2006-07 fiscal year. This trend is due, in part, to midyear reductions in FEFP and declining student enrollment. A minimum unreserved fund balance of 5 percent of total General Fund revenues is required by School Board Policy SB 7.01. At year end, the General Fund unreserved fund balance was 12 percent of General Fund revenues, which exceeds the average for school districts in Florida and is an indicator of the financial stability of the School District.



Terminal Leave Payments The General Fund pays terminal leave payments to retirees and nonretirees per School Board Policy SB 6.912. These payments are a significant expense of the District. The following chart reflects these payments over the past five years.



Property/Casualty Insurance Premiums. This year improved over the previous year for the Property/Casualty Insurance industry. As a result, the District has experienced a 23 percent decrease in insurance premiums. The following graph depicts historical property/casualty insurance premiums of the District.



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

Capital Projects – Local Capital Improvement Fund. The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$598,043, all of which is restricted for expenditures related to capital outlay. The fund balance of the Capital Projects – Local Capital Improvement Fund increased by \$368,779, due to the lack of major construction or renovation projects in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

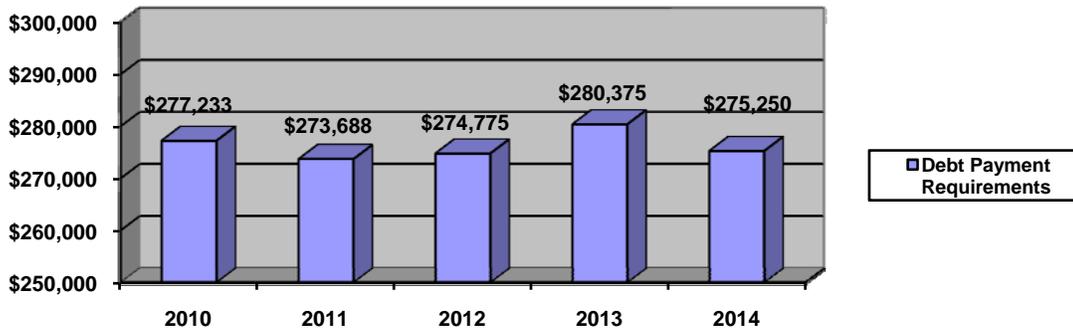
There were no significant variances between the original and final budgeted revenues and expenditures. Actual revenues were in line with final budgeted amounts, while actual expenditures were \$1,239,414, or 6 percent, less than the final budgeted amounts. The ending fund balance exceeded the final budgeted amount by \$1,520,165.

CAPITAL ASSETS AND LONG-TERM DEBT

Total capital assets (land, buildings, equipment, motor vehicles, etc.), before adjusting for accumulated depreciation, totaled \$54,181,659 compared to \$54,813,493 in the prior year. The decrease is due primarily to removal of surplus capital assets throughout the school year and was partially offset by the District’s receipt of a generator through a Hazard Mitigation grant.

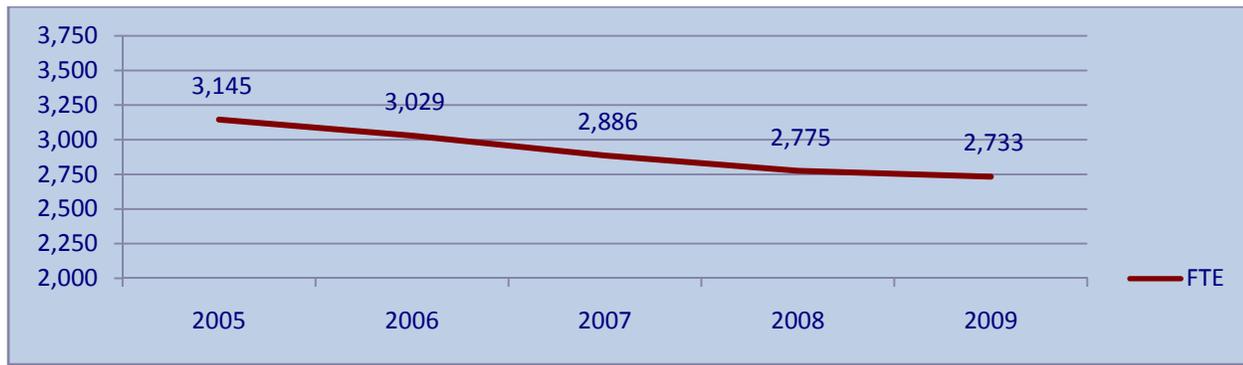
The District did not issue any new long-term debt during the 2008-2009 fiscal year and, at this time, there are no plans for issuing any new debt.

The following chart reflects the estimated debt service requirements of the District over the next five 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 FTE which is used for funding purposes. It is anticipated that this trend will continue.



REQUESTS FOR INFORMATION

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

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**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 12,105,190.52	\$ 19,562.12	\$	\$
Pupil Personnel Services	787,064.44			
Instructional Media Services	283,159.47			
Instruction and Curriculum Development Services	1,622,307.56			
Instructional Staff Training Services	837,618.77			
Instruction Related Technology	186,983.86			
Board of Education	270,660.44			
General Administration	432,743.27			
School Administration	1,580,980.41			
Facilities Acquisition and Construction	164,695.70			189,269.16
Fiscal Services	366,439.37			
Food Services	1,353,311.36	283,150.10	1,008,749.52	
Central Services	217,449.35			
Pupil Transportation Services	1,882,214.90		681,077.00	
Operation of Plant	2,524,851.05			
Maintenance of Plant	280,202.34			
Administrative Technology Services	272,985.57			
Community Services	3,321.66			
Interest on Long-Term Debt	106,480.89			78,995.95
Unallocated Depreciation Expense	1,624,746.80			
Loss on Disposal of Capital Assets	17,122.22			
Total Primary Government	\$ 26,920,529.95	\$ 302,712.22	\$ 1,689,826.52	\$ 268,265.11
Component Unit				
Madison County Foundation for Excellence in Education, Inc.	\$ 106,529.77	\$ 0.00	\$ 68,879.95	\$ 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				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (12,085,628.40)	\$
(787,064.44)	
(283,159.47)	
(1,622,307.56)	
(837,618.77)	
(186,983.86)	
(270,660.44)	
(432,743.27)	
(1,580,980.41)	
24,573.46	
(366,439.37)	
(61,411.74)	
(217,449.35)	
(1,201,137.90)	
(2,524,851.05)	
(280,202.34)	
(272,985.57)	
(3,321.66)	
(27,484.94)	
(1,624,746.80)	
(17,122.22)	
<u>(24,659,726.10)</u>	
	<u>(37,649.82)</u>
4,359,261.63	
882,203.36	
17,441,753.44	20,914.81
65,093.57	
773,414.40	
<u>23,521,726.40</u>	<u>20,914.81</u>
(1,137,999.70)	(16,735.01)
<u>36,091,998.64</u>	<u>508,615.26</u>
<u>\$ 34,953,998.94</u>	<u>\$ 491,880.25</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,201,021.47	\$ 1,293.56	\$ 957,648.60
Investments	109,354.81		5,839.30
Accounts Receivable	4,423.12		
Prepaid Items	14,972.26		
Due from Other Funds	483,622.67		
Due from Other Agencies	71,256.12	139,216.24	8,305.11
Inventories	16,571.43		
	<u>\$ 2,901,221.88</u>	<u>\$ 140,509.80</u>	<u>\$ 971,793.01</u>
TOTAL ASSETS			
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 57,583.29	\$ 36,214.82	\$ 934.98
Accounts Payable	154,819.57	103,902.50	372,815.00
Due to Other Funds	1,599.30	392.48	
Due to Other Agencies	194,905.71		
Deposits Payable	1,204.41		
Matured Interest Payable			
	<u>410,112.28</u>	<u>140,509.80</u>	<u>373,749.98</u>
Total Liabilities			
Fund Balances:			
Reserved for State Categorical Programs	162,282.80		
Reserved for Encumbrances	73,680.50		313,898.18
Reserved for Debt Service			
Unreserved:			
Designated, Reported in General Fund:			
Designated for Fuel Tax Rebate	24,195.50		
Undesignated, Reported in:			
General Fund	2,230,950.80		
Special Revenue Funds			
Capital Projects Funds			284,144.85
	<u>2,491,109.60</u>	<u>140,509.80</u>	<u>598,043.03</u>
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,901,221.88</u>	<u>\$ 140,509.80</u>	<u>\$ 971,793.01</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 506,043.11 46,997.77 39,957.18 4,479.16 54,405.16 <u> </u> <u>\$ 651,882.38</u>	\$ 3,666,006.74 162,191.88 4,423.12 14,972.26 523,579.85 223,256.63 70,976.59 <u> </u> <u>\$ 4,665,407.07</u>
 \$ 1,651.02 45,263.05 8,592.50 <u> </u> 55,506.57 <u> </u>	 \$ 57,583.29 193,620.39 523,579.85 195,298.19 1,204.41 8,592.50 <u> </u> 979,878.63 162,282.80 395,716.34 232,197.24 24,195.50 2,230,950.80 15,338.86 624,846.90 <u> </u> 3,685,528.44 <u> </u> <u>\$ 4,665,407.07</u>
 8,137.66 232,197.24 15,338.86 340,702.05 <u> </u> 596,375.81 <u> </u> <u>\$ 651,882.38</u>	 162,282.80 395,716.34 232,197.24 24,195.50 2,230,950.80 15,338.86 624,846.90 <u> </u> 3,685,528.44 <u> </u> <u>\$ 4,665,407.07</u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds	\$	3,685,528.44
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.		36,593,867.04
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 1,975,000.00	
Compensated Absences Payable	3,245,425.54	
Postemployment Healthcare Benefits Payable	104,971.00	(5,325,396.54)
Total Net Assets - Governmental Activities	\$	<u>34,953,998.94</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 REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Through State and Local State	\$ 289,310.30 14,301,055.87	\$ 3,317,049.89	\$
Local:			
Property Taxes	4,359,261.63		882,203.36
Miscellaneous	395,957.50		2,483.96
Total Revenues	<u>19,345,585.30</u>	<u>3,317,049.89</u>	<u>884,687.32</u>
Expenditures			
Current - Education:			
Instruction	10,699,057.16	1,525,953.56	
Pupil Personnel Services	583,609.63	203,454.81	
Instructional Media Services	278,964.05	4,195.42	
Instruction and Curriculum Development Services	815,555.69	806,751.87	
Instructional Staff Training Services	306,345.82	531,272.95	
Instruction Related Technology	186,983.86		
Board of Education	270,660.44		
General Administration	312,020.11	120,723.16	
School Administration	1,580,980.41		
Facilities Acquisition and Construction			62,388.61
Fiscal Services	366,439.37		
Food Services	19,449.89		
Central Services	211,268.84	6,180.51	
Pupil Transportation Services	1,577,302.06		
Operation of Plant	2,524,586.38	264.67	
Maintenance of Plant	280,202.34		
Administrative Technology Services	272,985.57		
Community Services	3,321.66		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	17,356.96		107,998.00
Other Capital Outlay	77,612.90	118,252.94	11,065.00
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>20,384,703.14</u>	<u>3,317,049.89</u>	<u>181,451.61</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,039,117.84)</u>		<u>703,235.71</u>
Other Financing Sources (Uses)			
Transfers In	334,457.12		
Proceeds from Sale of Capital Assets	20,377.78		
Insurance Loss Recoveries	35,653.22		
Transfers Out	(36,643.11)		(334,457.12)
Total Other Financing Sources (Uses)	<u>353,845.01</u>		<u>(334,457.12)</u>
Net Change in Fund Balances	(685,272.83)		368,778.59
Fund Balances, Beginning	3,176,382.43		229,264.44
Fund Balances, Ending	<u>\$ 2,491,109.60</u>	<u>\$ 0.00</u>	<u>\$ 598,043.03</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 982,947.52	\$ 4,589,307.71
509,481.49	14,810,537.36
	5,241,464.99
<u>290,871.52</u>	<u>689,312.98</u>
<u>1,783,300.53</u>	<u>25,330,623.04</u>
	12,225,010.72
	787,064.44
	283,159.47
	1,622,307.56
	837,618.77
	186,983.86
	270,660.44
	432,743.27
	1,580,980.41
102,307.09	164,695.70
	366,439.37
1,333,861.47	1,353,311.36
	217,449.35
	1,577,302.06
	2,524,851.05
	280,202.34
	272,985.57
	3,321.66
25,490.77	150,845.73
	206,930.84
175,000.00	175,000.00
106,480.89	106,480.89
<u>1,743,140.22</u>	<u>25,626,344.86</u>
<u>40,160.31</u>	<u>(295,721.82)</u>
36,643.11	371,100.23
	20,377.78
	35,653.22
	(371,100.23)
<u>36,643.11</u>	<u>56,031.00</u>
76,803.42	(239,690.82)
519,572.39	3,925,219.26
<u>\$ 596,375.81</u>	<u>\$ 3,685,528.44</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, 2009**

Net Change in Fund Balances - Governmental Funds \$ (239,690.82)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (1,571,883.07)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 175,000.00

The loss on the disposal of land during the current period is reported in the statement of activities. In the governmental funds, the cost of this land was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the cost of the disposed land. (37,500.00)

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 paid in excess of the amount earned in the current period. 224,791.20

Postemployment healthcare benefit costs are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in postemployment healthcare benefits liability for the current fiscal year. (104,971.00)

Donated capital assets increase net assets in the statement of activities, but do not provide current financial resources and, therefore, are not reported in the governmental funds. 416,253.99

Change in Net Assets - Governmental Activities \$ (1,137,999.70)

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>125,329.93</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>125,329.93</u>

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units which 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 District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component unit is included within the District School Board'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). The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, to receive, hold, invest, and administer property and to make expenditures to or 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 Foundation's financial statements are filed in the District's administrative office.

➤ **Basis of Presentation**

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

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

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The Madison County Foundation for Excellence in Education, Inc., 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. Cash equivalents include amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which effective July 1, 2009, is known as Florida PRIME.

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 investments of debt service moneys, amounts placed with SBA for participation in LGIP and the 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 LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, 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 0.51370946 at June 30, 2009. 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 LGIP, 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 LGIP.

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

➤ **Inventories**

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **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 \$6,213,707.14 of stated building values are based on these estimates.

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

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

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

➤ **Long-Term Liabilities**

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

➤ **State Revenue Sources**

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 categorical 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 categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 9, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); 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 or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

Investments, reported as cash equivalents, with a fair value of \$2,641,129.61 at June 30, 2009, are in the SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$143,199.93 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$18,991.95 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

six months or less, and are reported at fair value. The District relies on policies developed by the SBA for managing credit risk for this account.

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 747,329.03	\$ 37,800.00	\$ 37,500.00	\$ 747,629.03
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,182,543.07	526,899.72		1,709,442.79
Buildings and Fixed Equipment	44,121,867.70	2,400.00	568,840.21	43,555,427.49
Furniture, Fixtures, and Equipment	4,733,538.04	144,160.79	446,828.94	4,430,869.89
Motor Vehicles	3,118,902.25	38,770.25	337,017.21	2,820,655.29
Audio Visual Materials and Computer Software	909,313.36	23,999.80	15,678.76	917,634.40
Total Capital Assets Being Depreciated	54,066,164.42	736,230.56	1,368,365.12	53,434,029.86
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	931,410.64	57,232.52		988,643.16
Buildings and Fixed Equipment	9,705,940.08	871,108.55	568,840.21	10,008,208.42
Furniture, Fixtures, and Equipment	2,925,768.90	604,370.65	446,828.94	3,083,310.61
Motor Vehicles	2,622,099.63	304,912.84	337,017.21	2,589,995.26
Audio Visual Materials and Computer Software	841,278.08	92,035.08	15,678.76	917,634.40
Total Accumulated Depreciation	17,026,497.33	1,929,659.64	1,368,365.12	17,587,791.85
Total Capital Assets Being Depreciated, Net	37,039,667.09	(1,193,429.08)		35,846,238.01
Governmental Activities Capital Assets, Net	\$ 37,786,996.12	\$ (1,155,629.08)	\$ 37,500.00	\$ 36,593,867.04

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 304,912.84
Unallocated	1,624,746.80
Total Depreciation Expense - Governmental Activities	\$ 1,929,659.64

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

5. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 565,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	<u>1,410,000</u>	4.55 - 5.00	2018
Total Bonds Payable	<u>\$ 1,975,000</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**

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)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and has accumulated and maintained adequate resources in the sinking fund.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 78,250.00	\$ 50,000.00	\$ 28,250.00
2011	75,750.00	50,000.00	25,750.00
2012	78,250.00	55,000.00	23,250.00
2013	80,500.00	60,000.00	20,500.00
2014	77,500.00	60,000.00	17,500.00
2015-2018	327,500.00	290,000.00	37,500.00
Total State School Bonds	717,750.00	565,000.00	152,750.00
District Revenue Bonds:			
2010	198,982.50	130,000.00	68,982.50
2011	197,937.50	135,000.00	62,937.50
2012	196,525.00	140,000.00	56,525.00
2013	199,875.00	150,000.00	49,875.00
2014	197,750.00	155,000.00	42,750.00
2015-2018	790,000.00	700,000.00	90,000.00
Total District Revenue Bonds	1,781,070.00	1,410,000.00	371,070.00
Total	\$ 2,498,820.00	\$ 1,975,000.00	\$ 523,820.00

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 2,150,000.00	\$	\$ 175,000.00	\$ 1,975,000.00	\$ 180,000.00
Compensated Absences Payable	3,470,216.74	45,170.16	269,961.36	3,245,425.54	147,797.91
Postemployment Healthcare Benefits Payable		230,911.00	125,940.00	104,971.00	
Total Governmental Activities	\$ 5,620,216.74	\$ 276,081.16	\$ 570,901.36	\$ 5,325,396.54	\$ 327,797.91

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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 483,622.67	\$ 1,599.30
Special Revenue:		
Other		103,902.50
Capital Projects:		
Local Capital Improvement		372,815.00
Nonmajor Governmental	39,957.18	45,263.05
 Total	\$ 523,579.85	\$ 523,579.85

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 334,457.12	\$ 36,643.11
Capital Projects:		
Local Capital Improvement		334,457.12
Nonmajor Governmental	36,643.11	
 Total	\$ 371,100.23	\$ 371,100.23

Interfund transfers were to move restricted capital outlay revenues to offset eligible expenditures for maintenance salaries and property/casualty insurance premiums made in the General Fund and to supplement food service operations.

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$101,687.07 at June 30, 2009.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 10,563,519.00
Categorical Educational Programs:	
Class Size Reduction	2,393,701.00
Transportation	681,077.00
Instructional Materials	269,219.00
Other	223,667.33
Gross Receipts Tax (Public Education Capital Outlay)	160,493.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	107,772.11
Discretionary Lottery Funds	60,242.00
Mobile Home License Tax	27,147.86
Food Service Supplement	25,802.00
Miscellaneous	297,897.06
	<u>297,897.06</u>
 Total	 <u><u>\$ 14,810,537.36</u></u>

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

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.297	\$ 3,934,813
Basic Discretionary Local Effort	0.498	369,933
Supplemental Discretionary Local Effort	0.250	185,710
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.229	912,948
 Total	 <u><u>7.274</u></u>	 <u><u>\$ 5,403,404</u></u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

11. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida 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 Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 12 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$71,389.75.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

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

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,391,633.90, \$1,395,376.01, and \$1,337,744.59, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

12. POSTEMPLOYMENT HEALTH CARE BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$2,165,083 at the July 1, 2008, date of transition amortized over 15 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical and prescription drug coverages. 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

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 6.9121. Under this retirement incentive, retirees receive a \$100 per month rate subsidy for the 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 Postemployment Healthcare Benefits 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. For the Postemployment Healthcare Benefits Plan, contribution requirements of the District and plan members are established and may be amended by 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 2008-09 fiscal year, 58 retirees received postemployment healthcare benefits. The District provided required contributions of \$125,940 toward the annual OPEB cost, comprised of payments made on behalf of retirees net of retiree contributions totaling \$304,552, which represents 3.1 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 82,486
Amortization of Unfunded Actuarial Accrued Liability	142,462
Interest on Normal Cost and Amortization	<u>5,963</u>
Annual Required Contribution	230,911
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	<u> </u>
Annual OPEB Cost (Expense)	230,911
Contribution Toward the OPEB Cost	<u>(125,940)</u>
Increase in Net OPEB Obligation	104,971
Net OPEB Obligation, Beginning of Year	<u> </u>
Net OPEB Obligation, End of Year	<u><u>\$ 104,971</u></u>

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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, 2009 (first year of implementation), was as follows:

Year	OPEB Cost	Annual OPEB Cost Contributed	Obligation
Beginning Balance, 7-1-08	\$ 0	0 %	\$ 0
2008-09	230,911	54.5 %	104,971

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$2,165,083, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,165,083 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,926,970 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.8 percent.

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

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

The District’s initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the 2008-09 fiscal year annual required contribution. This method was selected because it produced the lowest OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 12 percent initially for the 2008-09 fiscal year, reduced by various percentages each year, to an ultimate rate of 5 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 14 years.

**MADISON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

13. RISK MANAGEMENT PROGRAMS

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

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**MADISON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 65,000.00	\$ 140,249.10	\$ 289,310.30	\$ 149,061.20
State	14,764,561.15	14,359,057.83	14,301,055.87	(58,001.96)
Local:				
Property Taxes	4,279,633.00	4,279,633.00	4,359,261.63	79,628.63
Miscellaneous	310,513.69	382,080.69	395,957.50	13,876.81
Total Revenues	19,419,707.84	19,161,020.62	19,345,585.30	184,564.68
Expenditures				
Current - Education:				
Instruction	11,280,143.54	11,082,353.02	10,699,057.16	383,295.86
Pupil Personnel Services	560,810.27	589,037.26	583,609.63	5,427.63
Instructional Media Services	303,515.98	288,434.52	278,964.05	9,470.47
Instruction and Curriculum Development Services	937,119.60	870,067.62	815,555.69	54,511.93
Instructional Staff Training Services	433,168.45	358,380.66	306,345.82	52,034.84
Instruction Related Technology	190,546.55	192,810.47	186,983.86	5,826.61
Board of Education	236,970.98	271,971.64	270,660.44	1,311.20
General Administration	987,389.30	812,607.18	312,020.11	500,587.07
School Administration	1,604,459.26	1,590,562.80	1,580,980.41	9,582.39
Facilities Acquisition and Construction	17,263.89	12,322.44		12,322.44
Fiscal Services	373,887.33	368,403.75	366,439.37	1,964.38
Food Services		19,832.93	19,449.89	383.04
Central Services	420,473.59	302,356.32	211,268.84	91,087.48
Pupil Transportation Services	1,623,394.58	1,594,044.49	1,577,302.06	16,742.43
Operation of Plant	2,276,794.28	2,581,255.93	2,524,586.38	56,669.55
Maintenance of Plant	283,223.43	288,067.27	280,202.34	7,864.93
Administrative Technology Services	334,387.73	303,317.21	272,985.57	30,331.64
Community Services	3,321.66	3,321.66	3,321.66	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		17,356.96	17,356.96	
Other Capital Outlay		77,612.90	77,612.90	
Total Expenditures	21,866,870.42	21,624,117.03	20,384,703.14	1,239,413.89
Deficiency of Revenues Over Expenditures	(2,447,162.58)	(2,463,096.41)	(1,039,117.84)	1,423,978.57
Other Financing Sources (Uses)				
Transfers In	297,000.00	297,000.00	334,457.12	37,457.12
Proceeds from Sale of Capital Assets			20,377.78	20,377.78
Insurance Loss Recoveries			35,653.22	35,653.22
Transfers Out	(39,341.68)	(39,341.68)	(36,643.11)	2,698.57
Total Other Financing Sources (Uses)	257,658.32	257,658.32	353,845.01	96,186.69
Net Change in Fund Balances	(2,189,504.26)	(2,205,438.09)	(685,272.83)	1,520,165.26
Fund Balances, Beginning	3,176,382.43	3,176,382.43	3,176,382.43	
Fund Balances, Ending	\$ 986,878.17	\$ 970,944.34	\$ 2,491,109.60	\$ 1,520,165.26

Original Budget	Special Revenue - Other Fund		Variance with Final Budget - Positive (Negative)
	Final Budget	Actual	
\$ 2,930,651.70	\$ 4,394,808.04	\$ 3,317,049.89	\$ (1,077,758.15)
<u>2,930,651.70</u>	<u>4,394,808.04</u>	<u>3,317,049.89</u>	<u>(1,077,758.15)</u>
1,325,032.75	2,092,013.04	1,525,953.56	566,059.48
180,710.79	267,256.82	203,454.81	63,802.01
5,610.30	5,610.30	4,195.42	1,414.88
890,078.93	912,353.74	806,751.87	105,601.87
434,955.61	802,000.96	531,272.95	270,728.01
61,716.94	162,747.90	120,723.16	42,024.74
2,232.96	2,790.40		2,790.40
	9,950.00		9,950.00
22,959.05	21,567.27	6,180.51	15,386.76
4,694.52	264.67	264.67	
2,659.85			
	<u>118,252.94</u>	<u>118,252.94</u>	
<u>2,930,651.70</u>	<u>4,394,808.04</u>	<u>3,317,049.89</u>	<u>1,077,758.15</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 -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**MADISON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

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	\$ 190,393.54
National School Lunch Program	10.555	300	669,801.25
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	135,970.71
Total United States Department of Agriculture			996,165.50
United States Department of Education:			
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	863,740.68
Special Education - Preschool Grants	84.173	267	59,218.04
Total Special Education Cluster			922,958.72
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226	1,242,407.58
Migrant Education - State Grant Program	84.011	217	40,684.94
Career and Technical Education - Basic Grants to States	84.048	151, 161	147,201.16
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	3,225.90
Tech-Prep Education	84.243	157	1,265.78
State Grants for Innovative Programs	84.298	113	4,195.42
Education Technology State Grants	84.318	121, 122	480,083.83
Transition to Teaching	84.350	227	75,530.17
Rural Education	84.358	110	58,195.07
Improving Teacher Quality State Grants	84.367	224	262,485.76
School Improvement Grants	84.377	126	73,032.73
Washington County District School Board:			
Title I Grants to Local Educational Agencies	84.010	None	4,134.60
Safe and Drug-Free Schools and Communities - National Programs	84.184	None	210.26
Fund for the Improvement of Education	84.215	None	163.66
Reading First State Grants	84.357	None	110,975.48
Mathematics and Science Partnerships	84.366	None	103.54
Total United States Department of Education			3,426,854.60
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	1,088.31
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Homeland Security Grant Program	97.067	None	4,694.52
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	376,460.20
Total United State Department of Homeland Security			381,154.72
Total Expenditures of Federal Awards			\$ 4,805,263.13

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

(2) Noncash Assistance.

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

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator and installation costs of \$376,460.20.



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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, 2009, 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 Madison County Foundation for Excellence in Education, Inc., as described in our report on the Madison County District School Board's financial statements. The financial statements of the school internal funds and the Madison County Education Foundation for Excellence in Education, Inc., 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial

statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

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
November 19, 2009



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
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The President of the Senate, the Speaker of the
House of Representatives, and the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL 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's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. 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 the District's 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 the OMB's *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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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
November 19, 2009

**MADISON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB *Circular A-133*? Yes

Identification of major programs:

Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and Hazard Mitigation Grant (CFDA No. 97.039)

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, 2009**

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Our review of the District’s 2008-09 fiscal year annual financial report, provided for audit, disclosed that procedural improvements could be made for reporting certain financial information. For example:

- Generally accepted accounting principles 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 the District’s activity. However, the District inadvertently omitted information of changes in capital assets for assets, totaling \$36,593,867.04, at June 30. Also, the District mistakenly excluded the note disclosure regarding the amount and purpose of interfund receivables and payables, totaling \$523,579.85 each. When note disclosures are not prepared as required, the risk increases for financial statement users to misunderstand the information presented on the financial statements.
- The United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* requires the District to prepare a Schedule of Expenditures of Federal Awards (SEFA). However, we noted instances in which the District’s SEFA did not contain certain required data, contrary to *Circular A-133*. For example, through our review of District records and inquiries we determined that the Federal Child Nutrition Cluster program represented a major Federal program with expenditures, totaling \$996,165.50; however, the District did not report the program on the SEFA. Without procedures to accurately report Federal programs and related expenditures on the SEFA, the risk increases that major Federal programs may not be audited, and costs associated with those programs may be subject to disallowance by the grantors.

We extended our audit procedures to determine the adjustments and corrections necessary, and the recommended changes were accepted by the District to properly report the required information. A similar finding was noted in our report No. 2009-056.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy and completeness of information in the notes to the financial statements and Schedule of Expenditures of Federal Awards.

ADDITIONAL MATTERS

Finding No. 2: Budget Administration

The process for adopting and amending the budget should afford a governmental entity with a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. If the budget is not properly monitored and amended to meet changing financial circumstances, there is an increased risk that an entity's expenditures will exceed available resources. Our review of the District's budget process indicated that the original budget was prepared and approved in accordance with applicable laws and rules; however, our review disclosed that at June 30, 2009, prior to Board approval of the final budget amendments, the District had General Fund overexpenditures, totaling \$347,970.58, in five functional expenditure categories, and Special Revenue – Other Fund overexpenditures, totaling \$484,778.43, in five functional expenditure categories. Subsequently, the Board resolved all budget overexpenditures by its approval of the final budget amendments in September 2009.

Section 1011.06(2), Florida Statutes, provides that a school board may establish policies which allow expenditures to exceed the amount budgeted by function and object, provided that the school board approves the expenditure and amends the budget within timelines established by school board policies; however, the Board had not, of record, adopted such policies. Such policies, as a matter of good business practice, should provide for monitoring of the budget to ensure that expenditures do not exceed available resources and that resources are allocated to programs and activities in accordance with the Board's directives. Inquiry with District personnel indicated that the District is developing a new budget policy and budget amendment form in an effort to comply with the above statute.

Recommendation: The Board should enhance its procedures to ensure that expenditures are limited to budgeted amounts as required by State law, rules, and Board policy. In addition, the District should continue its efforts to establish policies designed to ensure that any revisions to the budget are made in accordance with the Board's directives and are timely approved by the Board.

Finding No. 3: Information Technology – Written Policies and Procedures

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

The District lacked written policies and procedures for the following IT functions:

- Securing distributed processing output reports in the financial and human resources applications.
- Administering user identification codes (IDs), administrator IDs, administrator passwords, guest accounts, and security devices (such as firewalls and routers).
- Prohibiting administrator rights on the workstations of end users.
- Resetting user passwords, including positive identification of the user.
- Revoking access privileges of former or reassigned employees, consultants, and vendors.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. A similar finding was noted in our report No. 2009-056.

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

Finding No. 4: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As similarly noted in our report No. 2009-056, the District’s security controls over the management of access privileges needed improvement. In addition, our audit disclosed certain security controls related to user authentication that 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, 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 implement appropriate security controls in the areas of management of access privileges and user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Procurement – Contract Administration. Improvements should be made in District procedures to include required provisions in agreements funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- For contracts in excess of \$10,000, a provision for termination for cause and for convenience, including the manner by which it will be effected and the basis for settlement;
- Retention of all required records for three years after the grantee or subgrantee makes final payment and all other pending matters are closed; and
- Access to records of the contractor which are directly pertinent to the contract.

For the Special Education programs, the District had expenditures, totaling approximately \$923,000, and we reviewed District contracts supporting approximately \$389,000 of these expenditures. While the District typically includes the required provisions in contracts using Federal funds, we noted that the District inadvertently excluded the provisions noted above from a contract for program therapy services, and payments for the services totaled \$48,815. Failure to include the required contract provisions could limit the District’s actions if disputes arose with the contractors and could result in disallowance of grant expenditures by the grantor.

Recommendation: The District should enhance its procedures to ensure that future contracts involving Federal funds contain the required provisions.

District Contact Person: Ramona Guess, Coordinator of Exceptional Student Education

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-056.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*MADISON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2008-087 (1)	Improving Teacher Quality State Grants (CFDA No. 84.367) - Supplement Not Supplant	Expenditures charged to the grant award for 1.5 teaching positions are presumed to have supplanted and not supplemented non-Federal funds, resulting in \$50,925 in questioned costs.	Corrected.	The pass-through grantor did not require the District to restore questioned costs.

EXHIBIT A
MANAGEMENT'S RESPONSE

District School Board of Madison County
210 NE Duval Avenue · Madison Florida 32340

November 19, 2009

Madison County School District response to Audit Findings:

Significant Deficiency

Finding #1: The District will improve its procedures to ensure the financial statement note disclosures and the Schedule of Expenditures of Federal Awards are properly reported at fiscal year end.

Additional Matters

Finding #2: The District has enhanced controls over monitoring the budget process.

Finding #3: The District is continuing to work on written policies and procedures for certain IT functions.

Finding #4: The District is continuing to work on procedures to enhance security controls in the areas of management of access privileges.

Federal Finding #1: The District has enhanced procedures relating to required contractual provisions for Federal Expenditures.

 11-19-09

Andrew Barnes
Director of Finance
Madison County School District

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