REPORT NO. 2012-133
MARCH 2012

HOLMES COUNTY
DISTRICT SCHOOL BOARD

Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students

and

Student Transportation

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Holmes County District School Board members and the Superintendent of Schools who served during the 2010-11 fiscal year are listed below:

Member	District No.
H. Russell "Rusty" Williams from 11-16-10	1
Rickey D. Callahan, Chair to 11-15-10	1
Gary B. Scott, Vice Chair to 11-15-10	2
Jason Motley, Chair from 11-16-10	3
Anthony Register, Vice Chair from 11-16-10	4
Sidney M. Johnson from 11-16-10	5
Vernon Lewis, Jr., to 11-15-10	5

Gary L. Galloway, Superintendent

The examination team leader was Alice Pounds, CPA, and the examination was supervised by J. David Hughes, CPA. Please address inquiries regarding this report to Nancy M. Reeder, CPA, CISA, CFE, Audit Manager, by e-mail at nancyreeder@aud.state.fl.us or by telephone at (850) 414-9941.

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

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students and Student Transportation

LIST OF ABBREVIATIONS

For the Fiscal Year Ended June 30, 2011

ELL	English Language Learner
ESE	Exceptional Student Education
ESOL	English for Speakers of Other Languages
F.A.C.	Florida Administrative Code
F.S.	Florida Statutes
IDEA	Individuals with Disabilities Education Act
IEP	Individual Educational Plan
OJT	On-the-Job Training
PK	Prekindergarten

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students and Student Transportation

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EXECUTIVE SUMMARY

Summary of Attestation Examination

Except for the material noncompliance mentioned below involving reporting errors or records that were not properly or accurately prepared for students in ESE Support Levels 4 and 5 and student transportation, the Holmes County District School Board complied, in all material respects, with State requirements regarding the determination and reporting of full-time equivalent (FTE) students under the Florida Education Finance Program (FEFP) and the number of students transported for the fiscal year ended June 30, 2011.

- **Six of the 10 students in our ESE Support Levels 4 and 5 sample had exceptions involving reporting errors or records that were not properly or accurately prepared.**
- **Of the 131 students in our student transportation sample, 69 had exceptions involving their reported ridership classification or eligibility for State transportation funding.**

Noncompliance related to reported FTE resulted in four findings. The resulting proposed net adjustment to the District's reported, unweighted FTE totaled to .0000 but has a potential impact on the District's weighted FTE of a negative 11.1096. Noncompliance related to student transportation resulted in five findings and a proposed net adjustment of a negative 78 students.

Weighted adjustments to FTE are presented in our report for illustrative purposes only. The weighted adjustments to FTE do not take special program caps and allocation factors into account and are not intended to indicate the weighted FTE used to compute the dollar value of adjustments. That computation is the responsibility of the Department of Education (DOE). However, the gross dollar effect of our proposed adjustments to FTE may be estimated by multiplying the proposed net weighted adjustment to FTE by the base student allocation amount. For the Holmes County District School Board, the estimated gross dollar effect of our proposed adjustments to reported FTE is a negative $40,259 (negative 11.1096 times $3,623.76).

We have not presented an estimate of the potential dollar effect of our proposed adjustments to student transportation because there is no equivalent method for making such an estimate.

The ultimate resolution of our proposed adjustments to FTE and student transportation and the computation of their financial impact is the responsibility of DOE.

School District of Holmes County

The District was established pursuant to Section 1001.30, Florida Statutes, to provide public educational services for the residents of Holmes County. Those services are provided primarily to prekindergarten through twelfth grade students and to adults seeking career education-type training. The District is part of the State system of public education under the general direction and control of the State Board of Education. The geographic boundaries of the District are those of Holmes County.

The governing body of the District is the District School Board that is composed of five elected members. The executive officer of the Board is the elected Superintendent of Schools. For the fiscal year ended June 30, 2011, the District operated nine schools serving prekindergarten through twelfth grade students, reported 3,298.96 unweighted FTE for those students, and received approximately $15.1 million in State funding through FEFP.

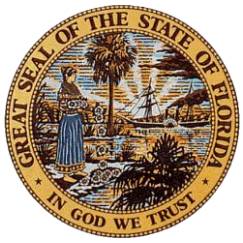
Florida Education Finance Program (FEFP)

Full-Time Equivalent (FTE) Students

Florida school districts receive State funding through FEFP to serve prekindergarten through twelfth grade students (adult education is not funded by FEFP). FEFP was established by the Florida Legislature in 1973 to guarantee to each student in the Florida public school system the availability of programs and services appropriate to the student's educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors. To provide equalization of educational opportunity in Florida, the FEFP formula recognizes: (1) varying local property tax bases, (2) varying program cost factors, (3) district cost differentials, and (4) differences in per-student cost for equivalent educational programs due to sparsity and dispersion of student population. The funding provided by FEFP is based upon the numbers of individual students participating in particular educational programs. A numerical value is assigned to each student according to the student's hours and days of attendance in those programs. The individual student thus becomes equated to a numerical value known as an unweighted FTE (full-time equivalent) student. For example, one student would be reported as one FTE if the student was enrolled in six classes per day at 50 minutes per class for the full 180-day school year (i.e., six classes at 50 minutes each per day is 5 hours of class a day or 25 hours per week that equals one FTE).

Student Transportation

Any student who is transported by the District must meet one or more of the following conditions in order to be eligible for State transportation funding: live two or more miles from school, be physically handicapped, be a Career Education 9-12 or an ESE student who is transported from one school center to another where appropriate programs are provided, or is on a route that meets the criteria for hazardous walking conditions specified in Section 1006.23(4), Florida Statutes. The District received approximately $700,000 for student transportation as part of the State funding through FEFP.



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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
HOLMES COUNTY DISTRICT SCHOOL BOARD
FLORIDA EDUCATION FINANCE PROGRAM (FEFP)
FULL-TIME EQUIVALENT (FTE) STUDENTS

We have examined management's assertion, included in its representation letter dated August 9, 2011, that the Holmes County District School Board complied with State requirements governing the determination and reporting of the number of full-time equivalent (FTE) students under the Florida Education Finance Program (FEFP) for the fiscal year ended June 30, 2011. These requirements are found primarily in Sections 1011.60, 1011.61, and 1011.62, Florida Statutes; State Board of Education Rules, Chapter 6A-1, Florida Administrative Code; and the *FTE General Instructions* issued by the Department of Education. As discussed in the representation letter, management is responsible for the District's compliance with State requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with the aforementioned State requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. The legal determination of the District's compliance with these requirements is, however, ultimately the responsibility of the Department of Education.

Compliance

Our examination procedures disclosed material noncompliance involving six of the ten students in our ESE Support Levels 4 and 5 sample who had exceptions involving reporting errors or records that were not properly or accurately prepared. (See SCHEDULE D, Finding Nos. 1, 2, and 4.)

In our opinion, except for the material noncompliance mentioned above involving reporting errors or records that were not properly or accurately prepared for students in ESE Support Levels 4 and 5, the Holmes County District School Board complied, in all material respects, with State requirements governing the determination and reporting of the number of full-time equivalent (FTE) students under the Florida Education Finance Program (FEFP) for the fiscal year ended June 30, 2011.

The results of our examination disclosed other noncompliance with the State requirements mentioned above. We considered this other noncompliance in forming our opinion regarding the District's compliance and it did not affect our opinion as stated above. All noncompliance disclosed by our examination procedures is discussed in SCHEDULE D. The impact of this noncompliance on the District's reported FTE is presented in SCHEDULES A, B, C, and D.

Internal Control Over Compliance

In accordance with attestation standards established by the AICPA and *Government Auditing Standards*, we are required to report significant deficiencies in internal control detected during our examination and identify those considered to be material weaknesses. The purpose of our examination was to express an opinion on the District's compliance with State requirements and did not include expressing an opinion on the District's related internal controls. Accordingly, we express no such opinion. Due to its limited purpose, our examination would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses.[1] However, the material noncompliance mentioned above is indicative of significant deficiencies considered to be material weaknesses in the District's internal controls related to the reporting of, and preparation and maintenance of supporting documentation for, students in ESE Support Levels 4 and 5. Other noncompliance disclosed by our examination procedures is indicative of control deficiencies[1] and is also presented herein. The findings, populations, samples, and exception totals that pertain to material and other noncompliance are presented in SCHEDULES A and D.

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[1] *A control deficiency in the entity'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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the aforementioned State requirements such that there is more than a remote likelihood that noncompliance that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more-than-remote likelihood that material noncompliance will not be prevented or detected by the entity's internal control.*

The District's written response to this examination has not been subjected to our examination procedures and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4)(c), Florida Statutes, this report is a public record and its distribution is not limited. Attestation standards established by the AICPA 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, the State Board of Education, the Department of Education, and applicable District 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
March 14, 2012

SCHEDULE A

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
POPULATIONS, SAMPLES, AND TEST RESULTS
For the Fiscal Year Ended June 30, 2011

Reported FTE

The funding provided by FEFP is based upon the numbers of individual students participating in particular educational programs. FEFP funds ten specific programs that are grouped under the following four general program titles: Basic, ESOL, ESE, and Career Education 9-12. Unweighted FTE represents FTE prior to the application of the specific cost factor for each program. (See SCHEDULE B and NOTES A3, A4, and A6.) The District reported 3,298.96 unweighted FTE at 9 schools to the Department of Education for the fiscal year ended June 30, 2011.

Schools and Students

As part of our examination procedures, we sampled schools and students for testing FTE reported to the Department of Education for the fiscal year ended June 30, 2011. (See NOTE B.) The population of schools (9) consisted of the total number of schools in the District that offered courses in FEFP-funded Programs. The population of students (2,729) consisted of the total number of students in each Program at the schools in our samples. Our Career Education 9-12 data includes only those students who participated in OJT. Our populations and samples of schools and students are summarized as follows:

	Number of Schools		Number of Students		Students with	Unweighted FTE		Proposed
Programs	Population	Sample	Population	Sample	Exceptions	Population	Sample	Adjustments
Basic	9	5	2,309	59	0	2,708.5100	54.8320	.1650
Basic with ESE Services	9	5	402	25	0	469.1400	22.8336	4.5000
ESOL	1	1	3	3	1	.8300	.8300	(.1650)
ESE Support Levels 4 and 5	5	5	10	10	6	7.1400	7.1400	(4.5000)
Career Education 9-12	4	2	5	5	0	113.3400	.5000	.0000
All Programs	9	5	2,729	102	7	3,298.9600	86.1356	.0000

The accompanying notes are an integral part of this schedule.

SCHEDULE A (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
POPULATIONS, SAMPLES, AND TEST RESULTS
For the Fiscal Year Ended June 30, 2011

Teachers

We also sampled teachers as part of our examination procedures. (See NOTE B.) Specifically, the population of teachers (30) consisted of the total number of teachers at schools in our sample who taught courses in ESE Support Levels 4 and 5 or Career Education 9-12 (OJT) or taught courses to ELL students. From the population of teachers, we sampled 15 and found no exceptions.

Proposed Adjustments

Our proposed adjustments present the net effects of noncompliance disclosed by our examination procedures, including those related to our tests of teacher certification. Our proposed adjustments generally reclassify reported FTE to Basic education, except for noncompliance involving a student's enrollment or attendance in which case the reported FTE is taken to zero. (See SCHEDULES B, C, and D.)

The ultimate resolution of our proposed adjustments to FTE and the computation of their financial impact is the responsibility of DOE.

The accompanying notes are an integral part of this schedule.

SCHEDULE B

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
EFFECT OF PROPOSED ADJUSTMENTS ON WEIGHTED FTE
(For Illustrative Purposes Only)
For the Fiscal Year Ended June 30, 2011

No.	Program[1]	Proposed Net Adjustment[2]	Cost Factor	Weighted FTE[3]
101	Basic K-3	.1650	1.089	.1797
111	Grades K-3 with ESE Services	2.5000	1.089	2.7225
112	Grades 4-8 with ESE Services	1.0000	1.000	1.0000
113	Grades 9-12 with ESE Services	1.0000	1.031	1.0310
130	ESOL	(.1650)	1.147	(.1893)
254	ESE Support Level 4	(4.5000)	3.523	(15.8535)
Total		.0000		(11.1096)

[1] *See NOTE A6.*

[2] *These proposed net adjustments are for unweighted FTE. (See SCHEDULE C.)*

[3] *Weighted adjustments to FTE are presented for illustrative purposes only. The weighted adjustments to FTE do not take special program caps or allocation factors into consideration and are not intended to indicate the FTE used to compute the dollar value of adjustments. That computation is the responsibility of the Department of Education. (See NOTE A4.)*

The accompanying notes are an integral part of this schedule.

SCHEDULE C

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
PROPOSED ADJUSTMENTS BY SCHOOL
For the Fiscal Year Ended June 30, 2011

		Proposed Adjustments[1]			
No.	**Program**	**#0012**	**#0121**	**#0261**	**Total**
101	Basic K-3	.....	.1650	.....	.1650
111	Grades K-3 with ESE Services	.....	2.5000	.....	2.5000
112	Grades 4-8 with ESE Services	.5000	.5000	.....	1.0000
113	Grades 9-12 with ESE Services	.....	.....	1.0000	1.0000
130	ESOL	.....	(.1650)	.....	(.1650)
254	ESE Support Level 4	(.5000)	(3.0000)	(1.0000)	(4.5000)
Total		.0000	.0000	.0000	.0000

[1] *These proposed adjustments are for unweighted FTE. (See NOTE A4.)*

The accompanying notes are an integral part of this schedule.

SCHEDULE D

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
FINDINGS AND PROPOSED ADJUSTMENTS
For the Fiscal Year Ended June 30, 2011

Overview

Management is responsible for determining and reporting the number of full-time equivalent (FTE) students under the Florida Education Finance Program (FEFP) in compliance with State requirements. These requirements are found primarily in Sections 1011.60, 1011.61, and 1011.62, Florida Statutes; State Board of Education Rules, Chapter 6A-1, Florida Administrative Code; and the *FTE General Instructions* issued by the Department of Education. Except for the material noncompliance involving reporting errors or records that were not properly or accurately prepared for students in ESE Support Levels 4 and 5, the Holmes County District School Board complied, in all material respects, with State requirements governing the determination and reporting of FTE for the fiscal year ended June 30, 2011. All noncompliance disclosed by our examination procedures is discussed below and requires management's attention and action, as recommended on page 11.

Findings — **Proposed Net Adjustments (Unweighted FTE)**

Our examination included the July and October 2010 surveys and the February and June 2011 surveys (see NOTE A5). Unless otherwise specifically stated, the Findings and proposed adjustments presented herein are for the October 2010 survey or the February 2011 survey or both. Accordingly, our Findings do not mention specific surveys unless necessary for a complete understanding of the instances of noncompliance being disclosed.

Bonifay Middle School (#0012)

1. [Ref. 1201] There was no evidence that the *Matrix of Services* form for one ESE student in the February 2011 survey was reviewed when the student's new IEP was prepared. We propose the following adjustment:

112 Grades 4-8 with ESE Services	.5000	
254 ESE Support Level 4	(.5000)	.0000
		.0000

The accompanying notes are an integral part of this schedule.

SCHEDULE D (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
FINDINGS AND PROPOSED ADJUSTMENTS
For the Fiscal Year Ended June 30, 2011

Findings		Proposed Net Adjustments (Unweighted FTE)
Bonifay Elementary School (#0121)		
2. [Ref. 12101] There was no evidence that the *Matrix of Services* forms for four ESE students were reviewed when the students' new IEPs were prepared. We propose the following adjustment:		
111 Grades K-3 with ESE Services	2.5000	
112 Grades 4-8 with ESE Services	.5000	
254 ESE Support Level 4	(3.0000)	.0000
3. [Ref. 12102] The *ELL Student Plan* for one student was not reviewed and updated for the 2010-11 school year. We propose the following adjustment:		
101 Basic K-3	.1650	
130 ESOL	(.1650)	.0000
		.0000
Holmes County High School (#0261)		
4. [Ref. 26101] There was no evidence that the *Matrix of Services* form for one ESE student was reviewed when the student's new IEP was prepared. We propose the following adjustment:		
113 Grades 9-12 with ESE Services	1.0000	
254 ESE Support Level 4	(1.0000)	.0000
		.0000
Proposed Net Adjustment		.0000

Follow-Up to Management's Response to Finding Nos. 1, 2, and 4:

In the Superintendent's response, he contends that "there is no Florida statutory or State Board rule requirement to initial and date a matrix that

The accompanying notes are an integral part of this schedule.

SCHEDULE D (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
FINDINGS AND PROPOSED ADJUSTMENTS
For the Fiscal Year Ended June 30, 2011

Findings	Proposed Net Adjustments (Unweighted FTE)
remains in effect for three years." He further contends that the DOE Matrix of Services Handbook is vague on this requirement. We agree that, if there has been no change in services and the Matrix of Services form is less than three years old, a new Matrix of Services form is not required to be completed but the review of the existing Matrix of Services form (to ensure that it reflects current services for funding) should be documented. However, as specifically described in the Matrix of Services Handbook on page 8 and on the Matrix of Services form itself, interim reviews of the Matrix of Services form should be recorded by initialing and dating the Matrix of Services form in the spaces provided. This practice documents that the IEP Committee determined there was no change in services and the existing Matrix of Services form still accurately reflects the services to be funded that are identified in the current IEP.	

The accompanying notes are an integral part of this schedule.

SCHEDULE E

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
RECOMMENDATIONS AND REGULATORY CITATIONS
For the Fiscal Year Ended June 30, 2011

Recommendations

We recommend that management exercise more care and take corrective action, as appropriate, to ensure that the *Matrix of Services* forms are reviewed when students' IEPs are being prepared and the *ELL Student Plans* are reviewed and updated annually during each school year.

The absence of statements in this report regarding practices and procedures followed by the District should not be construed as acceptance, approval, or endorsement of those practices and procedures. Additionally, the specific nature of this report does not limit or lessen the District's obligation to comply with all State requirements governing FTE and FEFP.

Regulatory Citations

Reporting

Section 1011.60, F.S. .....Minimum Requirements of the Florida Education Finance Program
Section 1011.61, F.S. .....Definitions
Section 1011.62, F.S. .....Funds for Operation of Schools
Rule 6A-1.0451, F.A.C. .....Florida Education Finance Program Student Membership Surveys
Rule 6A-1.04513, F.A.C. .....Maintaining Auditable FTE Records
FTE General Instructions 2010-11

Attendance

Section 1003.23, F.S. .....Attendance Records and Reports
Rules 6A-1.044(3) and (6)(c), F.A.C. ....Pupil Attendance Records
Rule 6A-1.04513, F.A.C. .....Maintaining Auditable FTE Records
FTE General Instructions 2010-11
Comprehensive Management Information System: Automated Student Attendance Recordkeeping System

English for Speakers of Other Languages (ESOL)

Section 1003.56, F.S. .....English Language Instruction for Limited English Proficient Students
Section 1011.62(1)(g), F.S. .....Education for Speakers of Other Languages
Rule 6A-6.0901, F.A.C. .....Definitions Which Apply to Programs for English Language Learners
Rule 6A-6.0902, F.A.C. .....Requirements for Identification, Eligibility Programmatic and Annual Assessments of English Language Learners

The accompanying notes are an integral part of this schedule.

SCHEDULE E (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
RECOMMENDATIONS AND REGULATORY CITATIONS
For the Fiscal Year Ended June 30, 2011

Regulatory Citations (Continued)

English for Speakers of Other Languages (ESOL) (Continued)

Rule 6A-6.0903, F.A.C. ..... Requirement for Classification, Reclassification, and Post Reclassification of English Language Learners

Rule 6A-6.0904, F.A.C. ..... Equal Access to Appropriate Instruction for English Language Learners

Career Education On-the-Job Attendance

Rule 6A-1.044(6)(c), F.A.C. ..... Pupil Attendance Records

Career Education On-the-Job Funding Hours

Rule 6A-6.055(3), F.A.C. ..... Definitions of Terms Used in Vocational Education and Adult Programs

FTE General Instructions 2010-11

Exceptional Education

Section 1003.57, F.S. ..... Exceptional Students Instruction

Section 1011.62, F.S. ..... Funds for Operation of Schools

Section 1011.62(1)(e), F.S. ..... Funding Model for Exceptional Student Education Programs

Rule 6A-6.03028, F.A.C. ..... Provision of Free Appropriate Public Education (FAPE) and Development of Individual Educational Plans for Students with Disabilities

Rule 6A-6.03029, F.A.C. ..... Development of Family Support Plans for Children with Disabilities Ages Birth Through Five Years

Rule 6A-6.0312, F.A.C. ..... Course Modifications for Exceptional Students

Rule 6A-6.0331, F.A.C. ..... General Education Intervention Procedures, Identification, Evaluation, Reevaluation and the Initial Provision of Exceptional Education Services

Rule 6A-6.0334, F.A.C. ..... Individual Educational Plans (IEPs) and Educational Plans (EPs) for Transferring Exceptional Students

Rule 6A-6.03411, F.A.C. ..... Definitions, ESE Policies and Procedures, and ESE Administrators

Matrix of Services Handbook (2004 Revised Edition)

The accompanying notes are an integral part of this schedule.

SCHEDULE E (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
RECOMMENDATIONS AND REGULATORY CITATIONS
For the Fiscal Year Ended June 30, 2011

Regulatory Citations (Continued)

Teacher Certification

Section 1012.42(2), F.S. .....Teacher Teaching Out-of-Field; Notification Requirements

Section 1012.55, F.S. .....Positions for Which Certificates Required

Rule 6A-1.0502, F.A.C. .....Non-certificated Instructional Personnel

Rule 6A-1.0503, F.A.C. .....Definition of Qualified Instructional Personnel

Rule 6A-4.001, F.A.C. .....Instructional Personnel Certification

Rule 6A-6.0907, F.A.C. .....Inservice Requirements for Personnel of Limited English Proficient Students

The accompanying notes are an integral part of this schedule.

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
NOTES TO SCHEDULES
For the Fiscal Year Ended June 30, 2011

NOTE A – SUMMARY

A summary discussion of the significant features of the District, FEFP, FTE, and related areas follows:

1. School District of Holmes County

The District was established pursuant to Section 1001.30, Florida Statutes, to provide public educational services for the residents of Holmes County, Florida. Those services are provided primarily to prekindergarten through twelfth grade students and to adults seeking career education-type training. The District is part of the State system of public education under the general direction and control of the State Board of Education. The geographic boundaries of the District are those of Holmes County.

For the fiscal year ended June 30, 2011, the District operated nine schools serving prekindergarten through twelfth grade students, reported 3,298.96 unweighted FTE, and received approximately $15.1 million in State funding through FEFP. The primary sources of funding for the District are funds from FEFP, local ad valorem taxes, and Federal grants and donations.

2. Florida Education Finance Program (FEFP)

Florida school districts receive State funding through FEFP to serve prekindergarten through twelfth grade students (adult education is not funded by FEFP). FEFP was established by the Florida Legislature in 1973 to guarantee to each student in the Florida public school system the availability of programs and services appropriate to the student's educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors. To provide equalization of educational opportunity in Florida, the FEFP formula recognizes: (1) varying local property tax bases, (2) varying program cost factors, (3) district cost differentials, and (4) differences in per-student cost for equivalent educational programs due to sparsity and dispersion of student population.

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
NOTES TO SCHEDULES
For the Fiscal Year Ended June 30, 2011

NOTE A - SUMMARY (Continued)

3. Full-Time Equivalent (FTE) Students

The funding provided by FEFP is based upon the numbers of individual students participating in particular educational programs. A numerical value is assigned to each student according to the student's hours and days of attendance in those programs. The individual student thus becomes equated to a numerical value known as an FTE. For example, for prekindergarten through third grade, one FTE is defined as one student in membership in a program or a group of programs for 20 hours per week for 180 days; for grade levels four through twelve, one FTE is defined as one student in membership in a program or a group of programs for 25 hours per week for 180 days.

4. Calculation of FEFP Funds

The amount of State and local FEFP funds is calculated by the Department of Education by multiplying the number of unweighted FTE in each educational program by the specific cost factor of each program to obtain weighted FTEs. Weighted FTEs are multiplied by the base student allocation amount and that product is multiplied by the appropriate cost differential factor. Various adjustments are then added to this product to obtain the total State and local FEFP dollars. All cost factors, the base student allocation amount, cost differential factors, and various adjustment figures are established by the Florida Legislature.

5. FTE Surveys

FTE is determined and reported during the school year by means of four FTE membership surveys that are conducted under the direction of district and school management. Each survey is a sampling of FTE membership for a period of one week. The surveys for the 2010-11 school year were conducted during and for the following weeks: survey one was performed for July 12 through 16, 2010; survey two was performed for October 11 through 15, 2010; survey three was performed for February 7 through 11, 2011; and survey four was performed for June 13 through 17, 2011.

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
NOTES TO SCHEDULES
For the Fiscal Year Ended June 30, 2011

NOTE A - SUMMARY (Continued)

6. Educational Programs

FEFP funds ten specific programs under which instruction may be provided as authorized by the Florida Legislature. The general program titles under which these specific programs fall are as follows: (1) Basic, (2) ESOL, (3) ESE, and (4) Career Education 9-12.

7. Statutes and Rules

The following statutes and rules are of significance to the administration of Florida public education:

Chapter 1000, F.S. ..... K-20 General Provisions
Chapter 1001, F.S. ..... K-20 Governance
Chapter 1002, F.S. ..... Student and Parental Rights and Educational Choices
Chapter 1003, F.S. ..... Public K-12 Education
Chapter 1006, F.S. ..... Support for Learning
Chapter 1007, F.S. ..... Articulation and Access
Chapter 1010, F.S. ..... Financial Matters
Chapter 1011, F.S. ..... Planning and Budgeting
Chapter 1012, F.S. ..... Personnel
Chapter 6A-1, F.A.C. ..... Finance and Administration
Chapter 6A-4, F.A.C. ..... Certification
Chapter 6A-6, F.A.C. ..... Special Programs I

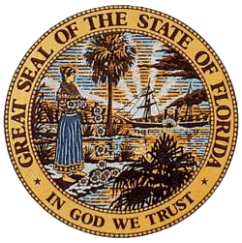
NOTE B - SAMPLING

Our examination procedures provided for the selection of samples of schools, students, and teachers using judgmental methods for testing FTE reported to the Department of Education for the fiscal year ended June 30, 2011. Our sampling process was designed to facilitate the performance of appropriate examination procedures to test the District's compliance with State requirements governing FTE and FEFP. The following schools were in our sample:

Holmes County District School Board
Florida Education Finance Program (FEFP)
Full-Time Equivalent (FTE) Students
NOTES TO SCHEDULES
For the Fiscal Year Ended June 30, 2011

NOTE B - SAMPLING (Continued)

	School Name/Description	Finding Number(s)
1.	Bonifay Middle School	1
2.	Bethlehem High School	NA
3.	Ponce de Leon High School	NA
4.	Bonifay Elementary School	2 and 3
5.	Holmes County High School	4



AUDITOR GENERAL
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DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT
HOLMES COUNTY DISTRICT SCHOOL BOARD
FLORIDA EDUCATION FINANCE PROGRAM (FEFP)
STUDENT TRANSPORTATION

We have examined management's assertion, included in its representation letter dated August 9, 2011, that the Holmes County District School Board complied with State requirements governing the determination and reporting of the number of students transported for the fiscal year ended June 30, 2011. These requirements are found primarily in Chapter 1006, Part I, E., and Section 1011.68, Florida Statutes; State Board of Education Rules, Chapter 6A-3, Florida Administrative Code; and the *Student Transportation General Instructions* issued by the Department of Education. As discussed in the representation letter, management is responsible for the District's compliance with State requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with the aforementioned State requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. The legal determination of the District's compliance with these requirements is, however, ultimately the responsibility of the Department of Education.

Compliance

Our examination procedures disclosed material noncompliance with the District's reported student ridership data as follows: 69 of the 131 students in our sample had exceptions involving their reported ridership category or eligibility for State transportation funding. (See SCHEDULE G, Finding Nos. 1 through 4.)

In our opinion, except for the material noncompliance mentioned above involving their reported ridership classification or eligibility for State transportation funding, the Holmes County District School Board complied, in all material respects, with State requirements governing the determination and reporting of the number of students transported for the fiscal year ended June 30, 2011.

The results of our examination disclosed other noncompliance with the State requirements mentioned above. We considered this other noncompliance in forming our opinion regarding the District's compliance and it did not affect our opinion as stated above. All noncompliance disclosed by our examination procedures is discussed in SCHEDULE G. The impact of this noncompliance on the District's reported number of transported students is presented in SCHEDULES F and G.

Internal Control Over Compliance

In accordance with attestation standards established by the AICPA and *Government Auditing Standards*, we are required to report significant deficiencies in internal control detected during our examination and identify those considered to be material weaknesses. The purpose of our examination was to express an opinion on the District's compliance with State requirements and did not include expressing an opinion on the District's related internal controls. Accordingly, we express no such opinion. Due to its limited purpose, our examination would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses.[1] However, the material noncompliance mentioned above is indicative of significant deficiencies considered to be material weaknesses in the District's internal controls related to their reported classification or eligibility for State transportation funding. Other noncompliance disclosed by our examination procedures is indicative of control deficiencies[1] and is also presented herein. The findings, populations, samples, and exception totals that pertain to material and other noncompliance are presented in SCHEDULES F and G.

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[1] *A control deficiency in the entity'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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the aforementioned State requirements such that there is more than a remote likelihood that noncompliance that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more-than-remote likelihood that material noncompliance will not be prevented or detected by the entity's internal control.*

The District's written response to this examination has not been subjected to our examination procedures, and accordingly, we express no opinion on it.

Pursuant to Section 11.45(4)(c), Florida Statutes, this report is a public record and its distribution is not limited. Attestation standards established by the AICPA 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, the State Board of Education, the Department of Education, and applicable District 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
March 14, 2012

SCHEDULE F

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
POPULATIONS, SAMPLES, AND TEST RESULTS
For the Fiscal Year Ended June 30, 2011

Any student who is transported by the District must meet one or more of the following conditions in order to be eligible for State transportation funding: live two or more miles from school, be physically handicapped, be a Career Education 9-12 or an ESE student who is transported from one school center to another where appropriate programs are provided, or is on a route that meets the criteria for hazardous walking conditions specified in Section 1006.23(4), Florida Statutes. (See NOTE A1.)

As part of our examination procedures, we sampled students for testing the number of students transported as reported to the Department of Education for the fiscal year ended June 30, 2011. (See NOTE B.) The population of vehicles (86) consisted of the total of the numbers of vehicles reported by the District for each survey. For example, a vehicle that transported students during the October 2010 and February 2011 surveys would be counted in the population as two vehicles. Similarly, the population of students (3,596) consisted of the total numbers of students reported by the District as having been transported for each survey. (See NOTE A2.) The District reported students in the following ridership categories:

Ridership Category	Number of Students Transported
IDEA (K-12), Weighted	35
IDEA (K-12), Unweighted	43
IDEA (PK), Unweighted	15
Two Miles or More	3,503
Total	3,596

Students with exceptions are students with exceptions affecting their ridership category. Students cited only for incorrect reporting of days in term, if any, are not included.

The accompanying notes are an integral part of this schedule.

SCHEDULE F (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
POPULATIONS, SAMPLES, AND TEST RESULTS
For the Fiscal Year Ended June 30, 2011

Our examination results are summarized below:

Description	Students With Exceptions	Proposed Net Adjustment
We sampled 131 of the 3,596 students reported as being transported by the District.	69	(63)
We also noted certain issues in conjunction with our general tests of student transportation that resulted in the addition of 20 students.	20	(15)
Total	89	(78)

Our proposed net adjustment presents the net effect of noncompliance disclosed by our examination procedures. (See SCHEDULE G.)

The ultimate resolution of our proposed net adjustment and the computation of its financial impact is the responsibility of DOE.

The accompanying notes are an integral part of this schedule.

SCHEDULE G

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
FINDINGS AND PROPOSED ADJUSTMENTS
For the Fiscal Year Ended June 30, 2011

Overview

Management is responsible for determining and reporting the number of students transported in compliance with State requirements. These requirements are found primarily in Chapter 1006, Part I, E., and Section 1011.68, Florida Statutes; State Board of Education Rules, Chapter 6A-3, Florida Administrative Code; and the *Student Transportation General Instructions* issued by the Department of Education. Except for the material noncompliance involving their reported ridership classification or eligibility for State transportation funding, the Holmes County District School Board complied, in all material respects, with State requirements governing the determination and reporting of students transported for the fiscal year ended June 30, 2011. All noncompliance disclosed by our examination procedures is discussed below and requires management's attention and action, as recommended on page 26.

Findings	**Students Transported Proposed Net Adjustments**
Our examination procedures included both general tests and detailed tests. Our general tests included inquiries concerning the District's transportation of students and verification that a bus driver's report existed for each bus reported in a survey. Our detailed tests involved verification of the specific ridership categories reported for students sampled from the October 2010 and February 2011 surveys. Adjusted students who were in more than one survey are accounted for by survey. For example, a student sampled twice (i.e., once for the October 2010 survey and once for the February 2011 survey) will be presented in our Findings as two sample students.	
1. [Ref. 51] One student in our sample did not ride the bus during the February 2011 survey period and should not have been reported for State transportation funding. We propose the following adjustment:	
February 2011 Survey	
90 Days in Term	
IDEA (PK), Unweighted (1)	(1)

The accompanying notes are an integral part of this schedule.

SCHEDULE G (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
FINDINGS AND PROPOSED ADJUSTMENTS
For the Fiscal Year Ended June 30, 2011

Findings		Students Transported Proposed Net Adjustments
2. [Ref. 52] Sixty-two students in our sample were incorrectly reported in the Two Miles or More ridership category. The students lived less than two miles from their assigned schools and should not have been reported for State transportation funding. We propose the following adjustments:		
October 2010 Survey		
90 Days in Term		
Two Miles or More	(43)	
February 2011 Survey		
90 Days in Term		
Two Miles or More	(19)	(62)
3. [Ref. 53] Three students in our sample were incorrectly reported in the IDEA (K-12), Unweighted ridership category. The students lived more than two miles from school and should have been reported in the Two Miles or More ridership category. We propose the following adjustment:		
October 2010 Survey		
90 Days in Term		
IDEA (K-12), Unweighted	(3)	
Two Miles or More	3	0
4. [Ref. 54] Three students in our sample were incorrectly reported in the IDEA (K-12), Weighted ridership category. The students' IEPs did not indicate that the students met at least one of the five criteria required for IDEA-weighted classification. We noted that the students were eligible for other ridership categories, as follows: one for Two Miles or More and two for IDEA (K-12), Unweighted. We propose the following adjustment:		
October 2010 Survey		
90 Days in Term		
IDEA (K-12), Weighted	(3)	
IDEA (K-12), Unweighted	2	
Two Miles or More	1	0

The accompanying notes are an integral part of this schedule.

SCHEDULE G (Continued)

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
FINDINGS AND PROPOSED ADJUSTMENTS
For the Fiscal Year Ended June 30, 2011

Findings		Students Transported Proposed Net Adjustments
5. [Ref. 55] In conjunction with our general tests of student transportation, we noted that 20 PK students were incorrectly reported in the Two Miles or More ridership category. PK students are not eligible for reporting in this ridership category; however, we noted that 5 of these students were eligible for reporting in the IDEA (PK), Unweighted ridership category and the remaining 15 were not otherwise eligible for State transportation funding. We propose the following adjustments:		
October 2010 Survey		
90 Days in Term		
IDEA (PK), Unweighted	3	
Two Miles or More	(10)	
February 2011 Survey		
90 Days in Term		
IDEA (PK), Unweighted	2	
Two Miles or More	(10)	(15)
Proposed Net Adjustment		(78)

The accompanying notes are an integral part of this schedule.

SCHEDULE H

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
RECOMMENDATIONS AND REGULATORY CITATIONS
For the Fiscal Year Ended June 30, 2011

Recommendations

We recommend that management exercise more care and take corrective action, as appropriate, to ensure that: (1) students are reported in correct ridership categories; (2) students are reported only if they were transported at least 1 day during the 11-day survey window; (3) the distance from home to school for students classified in Two Miles or More is verified prior to those student being reported; and (4) only ESE students whose need for special transportation services has been properly documented on their IEPs are reported in IDEA-weighted ridership categories.

The absence of statements in this report regarding practices and procedures followed by the District should not be construed as acceptance, approval, or endorsement of those practices and procedures. Additionally, the specific nature of this report does not limit or lessen the District's obligation to comply with all State requirements governing student transportation.

Regulatory Citations

Chapter 1006, Part I, E., F.S. .....Transportation of Public K-12 Students
Section 1011.68, F.S. .....Funds for Student Transportation
Chapter 6A-3, F.A.C. .....Transportation
Student Transportation General Instructions 2010-11

The accompanying notes are an integral part of this schedule.

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
NOTES TO SCHEDULES
For the Fiscal Year Ended June 30, 2011

NOTE A – SUMMARY

A summary discussion of the significant features of student transportation and related areas follows:

1. Student Eligibility

Any student who is transported by bus must meet one or more of the following conditions in order to be eligible for State transportation funding: live two or more miles from school, be physically handicapped, be a Career Education 9-12 or an ESE student who is transported from one school center to another where appropriate programs are provided, or is on a route that meets the criteria for hazardous walking conditions specified in Section 1006.23(4), F. S.

2. Transportation in Holmes County

For the fiscal year ended June 30, 2011, the District received approximately $.7 million for student transportation as part of the State funding through FEFP. The District's transportation reporting by survey was as follows:

Survey Period	Number of Vehicles	Number of Students
July 2010	0	0
October 2010	43	1,803
February 2011	43	1,793
June 2011	0	0
Total	86	3,596

3. Statutes and Rules

The following statutes and rules are of significance to the District's administration of student transportation:

Chapter 1006, Part I, E., F.S. .....Transportation of Public K-12 Students
Section 1011.68, F.S. .....Funds for Student Transportation
Chapter 6A-3, F.A.C. .....Transportation

Holmes County District School Board
Florida Education Finance Program (FEFP)
Student Transportation
NOTES TO SCHEDULES
For the Fiscal Year Ended June 30, 2011

NOTE B – SAMPLING

Our examination procedures provided for the selection of samples of buses and students using judgmental methods for testing the number of students transported as reported to the Department of Education for the fiscal year ended June 30, 2011. Our sampling process was designed to facilitate the performance of appropriate examination procedures to test the District's compliance with State requirements governing students transported.

EXHIBIT A
MANAGEMENT'S RESPONSE

Holmes District School Board
701 East Pennsylvania Avenue
Bonifay, FL 32425

SUPERINTENDENT
Gary Galloway

TEL (850) 547-9341
FAX (850) 547-0381

BOARD MEMBERS
Jason Motley, Chairman
Anthony Register, Vice Chairman
Sidney Johnson
Rusty Williams
Gary Scott

February 16, 2012

Mr. David W. Martin, Auditor General
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

Based upon your letter dated January 18, 2012, Holmes County District School Board is responding to the preliminary FTE audit report. Holmes County District School Board disagrees with the adjustment of 15.8535 weighted FTE in program 254, since there is no Florida statutory or State Board rule requirement to initial and date a matrix that remains in effect for three years. The Matrix of Services Handbook, for 2004, Revised Edition, Florida Department of Education, is vague on this Auditor General requirement. If the adjustment remains in the final report the district intends to request an informal conference, pursuant to Rule 6A-1.0453 (4) and (5), FAC.

Holmes County District School Board does agree with the Transportation Audit findings. Holmes County District School Board hired an Administrative Assistant to check and make sure that only eligible students are reported on future surveys.

Thank you for the opportunity to respond to this preliminary report.

Sincerely,

Gary Galloway, Superintendent

ADMINISTRATIVE OFFICES TEL (850)547-6674 FAX (850)547-3568
The Holmes County School Board is an Equal Education/Employment Institution