

**BAKER COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2013



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2012-13 fiscal year are listed below:

	<u>District No.</u>
Earl Dwight Crews	1
Richard Dean Griffis, Chair	2
Jesse D. Davis	3
Charlie M. Burnett	4
Patricia C. Weeks, Vice Chair	5

Sherrie Raulerson, 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 Jillian M. Litchfield and the audit was supervised by Randy R. Arend, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**BAKER COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: Controls over monitoring school bus drivers could be enhanced.

Finding No. 2: The District had not adopted a plan for the use of unspent workforce education funds accumulated over several years.

Finding No. 3: Controls over facilities maintenance activities could be enhanced.

Finding No. 4: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 5: District records did not evidence that timely written notifications were provided to parents about student opportunities to participate in VIPs and the open enrollment period dates.

Finding No. 6: The District did not offer all VIP options required by law.

Finding No. 7: The District did not report certain VIP contract and per student cost information to the Florida Department of Education, contrary to law.

Finding No. 8: District information technology security controls related to user authentication, data loss prevention, and logging and monitoring of system activity 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 and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Baker 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. 2013-079.

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, 2013. 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.



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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker County District School Board, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 35 percent of the assets and 83 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Baker County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note II to the basic financial statements, the Baker County Education Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2012-13 fiscal year. This affects the comparability of the amounts reported for the 2012-13 fiscal year with the amounts reported for the 2011-12 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part

of the basic financial statements. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Baker 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 13, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Baker County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- As of June 30, 2013, assets exceed liabilities by \$42,355,193. Of this amount, \$2,048,730 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position decreased \$1,578,170, which represents a 3.6 percent decrease from the 2011-12 fiscal year.
- General revenues total \$37,276,571, or 92.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,847,495, or 7.1 percent of all revenues.
- Expenses total \$41,702,236. Only \$2,847,495 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$6,620,927, which is \$1,229,282 less than the prior fiscal year. The General Fund total assigned and unassigned fund balances was \$6,265,736, or 18.4 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position and its assets and liabilities using an economic resources measurement focus. Assets less liabilities equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

The BCSB Leasing Corporation (Leasing Corporation), although a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government and is reported in the government-wide financial statements as governmental activities.

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue - Other Fund, Special Revenue - Federal Economic Stimulus Fund, Debt Service – Other Debt Service 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 Fund and major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. The District uses an internal service fund to account for its employee supplemental insurance program. Since these services predominately benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District’s progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2013, compared to net position as of June 30, 2012:

	Net Position, End of Year	
	Governmental Activities	
	6-30-13	6-30-12
Current and Other Assets	\$ 12,021,248	\$ 12,205,453
Capital Assets	42,973,697	44,521,597
Total Assets	54,994,945	56,727,050
Long-Term Liabilities	11,361,243	11,612,972
Other Liabilities	1,278,509	1,180,715
Total Liabilities	12,639,752	12,793,687
Net Position:		
Net Investment in Capital Assets	36,227,010	37,218,243
Restricted	4,079,453	3,040,660
Unrestricted	2,048,730	3,674,460
Total Net Position	\$ 42,355,193	\$ 43,933,363

The largest portion of the District’s net position (85.5 percent) is its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other resources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (4.9 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-13	6-30-12
Program Revenues:		
Charges for Services	\$ 1,038,841	\$ 993,031
Operating Grants and Contributions	1,639,123	1,532,027
Capital Grants and Contributions	169,531	165,379
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,773,065	5,071,094
Property Taxes, Levied for Capital Projects	1,153,091	1,202,210
Grants and Contributions Not Restricted to Specific Programs	30,549,183	30,160,758
Unrestricted Investment Earnings	73,064	189,542
Miscellaneous	728,168	569,439
Total Revenues	40,124,066	39,883,480
Functions/Program Expenses:		
Instruction	21,236,379	21,302,176
Pupil Personnel Services	1,940,531	1,972,479
Instructional Media Services	657,544	648,185
Instruction and Curriculum Development Services	1,085,578	1,113,624
Instructional Staff Training Services	468,381	357,873
Instruction Related Technology	252,968	326,140
School Board	598,402	605,510
General Administration	351,039	305,318
School Administration	2,004,710	1,965,784
Facilities Acquisition and Construction	266,711	1,685,610
Fiscal Services	570,018	560,285
Food Services	2,272,207	1,985,717
Central Services	419,366	573,640
Pupil Transportation Services	2,870,434	2,829,405
Operation of Plant	3,222,115	3,210,452
Maintenance of Plant	1,168,343	1,094,993
Administrative Technology Services	499,128	358,417
Community Services	196,158	195,225
Unallocated Interest on Long-Term Debt	147,157	168,348
Unallocated Depreciation Expense	1,475,067	1,531,602
Total Functions/Program Expenses	41,702,236	42,790,783
Change in Net Position	(1,578,170)	(2,907,303)
Net Position - Beginning	43,933,363	46,840,666
Net Postion - Ending	\$ 42,355,193	\$ 43,933,363

The largest revenue source is the State of Florida (69.6 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. FEFP revenues increased by \$728,573, or 3.6 percent, while other State revenues increased by \$122,359, or 1.7 percent, from the previous fiscal year. This resulted in a net increase in State revenues of \$850,932, or 3.1 percent.

Total governmental expenses for the 2012-13 fiscal year decreased by \$1,088,547 from the previous fiscal year. Instruction expenses were \$21,236,379, or 50.9 percent, of total governmental expenses for the 2012-13 fiscal year, as compared to \$21,302,176, or 49.8 percent, of total governmental expenses for the 2011-12 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$299,755 during the fiscal year to \$10,444,018 at June 30, 2013. Of the total fund balance, \$5,717,091, or 54.7 percent, is unassigned; \$181,763 is nonspendable; \$3,996,519 is restricted; and \$548,645 is assigned.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance is \$6,620,927. Total fund balance decreased by \$1,229,282, or 15.7 percent, during the fiscal year mainly because of the expiration of Federal economic stimulus funds that were available in prior fiscal years. The unassigned fund balance, which is available for general appropriation by the Board, totals \$5,717,091, or 16.2 percent of General Fund revenues.

The Special Revenue – Other Fund has total revenues and expenditures of \$2,223,554 each, and the funding was mainly used for instructional salaries and benefits. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$15 each. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances. Revenues and expenditures decreased from \$87,606 in the prior fiscal year due to the expiration of stimulus grants.

The Debt Service – Other Debt Service Fund has a total fund balance of \$1,272,063, which is restricted for the payment of debt service on the Qualified Zone Academy Bonds (QZABs). The fund balance increased by \$195,729 from transfers in from the Capital Projects – Local Capital Improvement Fund for the accumulation of resources for the lump sum QZAB principal payment in the 2021-22 fiscal year.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$1,471,542, an increase of \$619,469, or 72.7 percent, over the prior fiscal year. Revenues from local property taxes in this fund totaled \$1,153,091. Fund balance increased because the District accumulated moneys for a major repair project and equipment purchases planned for the 2013-14 fiscal year.

Proprietary Fund

The District's internal service (proprietary) fund information is reported with governmental activities in the government-wide financial statements, whereas the proprietary fund statements are in more detail. Unrestricted net position of the internal service fund increased by \$17,756 during the 2012-13 fiscal year to \$298,721 at June 30, 2013. This increase occurred primarily because of decreased insurance claims expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget primarily to adjust planned expenditures between functional categories. There were no significant variances between the original and final budgeted amounts.

Actual revenue exceeded final budget amounts by \$274,960, or 0.8 percent, while actual expenditures were \$3,138,615, or 8.2 percent, less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance in the final amended budget by \$3,278,267, mainly because expenditures for instructional salaries and benefits, and materials, supplies, and purchased services in operation of plant, were less than anticipated.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of the 2012-13 fiscal year, the District had \$42,973,697 invested in capital assets, net of accumulated depreciation. The following table reflects the 2012-13 fiscal year net capital assets balances compared to the 2011-12 fiscal year:

	Capital Assets at June 30 Net of Depreciation	
	6-30-13	6-30-12
Land	\$ 1,273,920	\$ 1,273,920
Improvements Other Than Buildings	852,477	926,302
Buildings and Fixed Equipment	38,741,242	40,069,361
Furniture, Fixture, and Equipment	105,114	139,423
Motor Vehicles	1,938,745	2,021,079
Audio Visual Materials and Computer Software	62,198	91,512
Net Capital Assets	\$ 42,973,697	\$ 44,521,597

The District did not have any major construction projects during the 2012-13 fiscal year. Additional information on the District’s capital assets can be found in notes I.F.4 and III.C to the financial statements.

Long-Term Debt

At June 30, 2013, the District had \$290,000 in outstanding bonds and \$6,456,687 of certificates of participation (COP).

The bonds were paid from special State allocations for debt service. There are two separate bond issues, Series 2005A and Series 2011A, maturing in 2017 and 2015, respectively.

Also, outstanding at fiscal year-end were two COP issues, the Series 2005A and the Series 2005-Qualified Zone Academy Bonds (QZABs), maturing in 2020 and 2021, respectively. COP payments were made from the General Fund, and the Capital Projects – Local Capital Improvement Fund provided the resources for the 2005-QZAB sinking fund payment.

Additional information on the District’s long-term debt can be found in note III.G to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District’s economic condition is closely tied to that of the State of Florida. Because State appropriations have not returned to pre-recession levels and the District has experienced declining enrollment over the past several years, the Board will rely on unassigned fund balance to maintain continued support for the education of students. Once the

unassigned fund balance is used, the District may experience staffing reductions. If the General Fund's combined assigned and unassigned fund balance drops below 3 percent of revenues, the District must notify the Board and Florida Department of Education (FDOE). If the General Fund's combined assigned and unassigned fund balance falls below 2 percent, the FDOE may appoint a financial emergency board to operate the District.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Executive Director for Support Services, Baker County School Board, 392 South Boulevard East, Macclenny, Florida 32063.

BASIC FINANCIAL STATEMENTS

**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 10,217,370.52
Investments	67,589.22
Due from Other Agencies	282,462.18
Prepaid Items	2,352.78
Inventories	179,410.06
Restricted Investments	1,272,063.13
Capital Assets:	
Nondepreciable Capital Assets	1,273,919.96
Depreciable Capital Assets, Net	41,699,776.89
	41,699,776.89
TOTAL ASSETS	54,994,944.74
LIABILITIES	
Salaries and Benefits Payable	6,683.85
Payroll Deductions and Withholdings	678,378.37
Accounts Payable	502,030.72
Due to Other Agencies	44,610.73
Estimated Insurance Claims Payable	46,805.12
Long-Term Liabilities:	
Portion Due Within One Year	966,666.67
Portion Due After One Year	10,394,576.77
	10,394,576.77
TOTAL LIABILITIES	12,639,752.23
NET POSITION	
Net Investment in Capital Assets	36,227,010.21
Restricted for:	
State Required Carryover Programs	256,360.65
Debt Service	1,280,647.50
Capital Projects	1,768,351.50
Food Service	774,092.49
Unrestricted	2,048,730.16
	2,048,730.16
TOTAL NET POSITION	\$ 42,355,192.51

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 21,236,378.75	\$ 151,878.45	\$	\$ (21,084,500.30)
Pupil Personnel Services	1,940,531.35			(1,940,531.35)
Instructional Media Services	657,544.02			(657,544.02)
Instruction and Curriculum Development Services	1,085,578.41			(1,085,578.41)
Instructional Staff Training Services	468,381.26			(468,381.26)
Instruction Related Technology	252,968.16			(252,968.16)
School Board	598,401.78			(598,401.78)
General Administration	351,038.94			(351,038.94)
School Administration	2,004,710.46			(2,004,710.46)
Facilities Acquisition and Construction	266,711.12		62,561.68	(204,149.44)
Fiscal Services	570,017.72			(570,017.72)
Food Services	2,272,207.17	667,876.82	1,639,122.81	34,792.46
Central Services	419,365.53			(419,365.53)
Pupil Transportation Services	2,870,434.36			(2,870,434.36)
Operation of Plant	3,222,115.05			(3,222,115.05)
Maintenance of Plant	1,168,343.06			(1,168,343.06)
Administrative Technology Services	499,128.40			(499,128.40)
Community Services	196,157.85	219,085.45		22,927.60
Unallocated Interest on Long-Term Debt	147,156.53			(40,187.09)
Unallocated Depreciation Expense*	1,475,066.52			(1,475,066.52)
Total Primary Government	\$ 41,702,236.44	\$ 1,038,840.72	\$ 1,639,122.81	\$ 169,531.12
General Revenues:				
Taxes:				
				4,773,065.18
				1,153,091.48
				30,549,182.62
				73,064.29
				728,168.15
				<u>37,276,571.72</u>
				(1,578,170.07)
				<u>43,933,362.58</u>
				<u>\$ 42,355,192.51</u>

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

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

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**BAKER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund
ASSETS				
Cash and Cash Equivalents	\$ 7,344,937.62	\$ 13,055.87	\$	\$
Investments	52,211.50	916.48		
Due from Other Funds	213,646.31			
Due from Other Agencies	117,372.46	158,572.13		
Prepaid Items	2,352.78			
Inventories	96,476.78			
Restricted Investments				1,272,063.13
TOTAL ASSETS	\$ 7,826,997.45	\$ 172,544.48	\$ 0.00	\$ 1,272,063.13
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 6,683.85	\$ 41,183.02	\$	\$
Payroll Deductions and Withholdings	605,884.22	6,537.58		
Accounts Payable	195,010.58	124,823.88		
Due to Other Funds	353,881.38			
Due to Other Agencies	44,610.73			
Total Liabilities	1,206,070.76	172,544.48		
Fund Balances:				
Nonspendable:				
Inventory	96,476.78			
Prepaid Amounts	2,352.78			
Total Nonspendable Fund Balance	98,829.56			
Restricted for:				
Food Service				
State Required Carryover Programs	256,360.65			
Debt Service				1,272,063.13
Capital Projects				
Total Restricted Fund Balance	256,360.65			1,272,063.13
Assigned for:				
Vocational Programs	415,531.11			
School Accounts	133,113.91			
Total Assigned Fund Balance	548,645.02			
Unassigned Fund Balance	5,717,091.46			
Total Fund Balances	6,620,926.69			1,272,063.13
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,826,997.45	\$ 172,544.48	\$ 0.00	\$ 1,272,063.13

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,408,737.99	\$ 1,105,113.00	\$ 9,871,844.48
4,117.12	10,344.12	67,589.22
353,881.38	6,517.59	567,527.69
	82,933.28	282,462.18
		2,352.78
		179,410.06
		1,272,063.13
<u>\$ 1,766,736.49</u>	<u>\$ 1,204,907.99</u>	<u>\$ 12,243,249.54</u>
\$ 295,194.00	\$ 31,311.13	\$ 6,683.85
	5,288.56	678,378.37
	88,822.43	502,030.72
		567,527.69
		44,610.73
<u>295,194.00</u>	<u>125,422.12</u>	<u>1,799,231.36</u>
	82,933.28	179,410.06
		2,352.78
	<u>82,933.28</u>	<u>181,762.84</u>
	691,159.21	691,159.21
	8,584.37	256,360.65
1,471,542.49	296,809.01	1,280,647.50
<u>1,471,542.49</u>	<u>996,552.59</u>	<u>1,768,351.50</u>
		3,996,518.86
		415,531.11
		133,113.91
		548,645.02
		5,717,091.46
<u>1,471,542.49</u>	<u>1,079,485.87</u>	<u>10,444,018.18</u>
<u>\$ 1,766,736.49</u>	<u>\$ 1,204,907.99</u>	<u>\$ 12,243,249.54</u>

**BAKER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balances - Governmental Funds \$ 10,444,018.18

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 42,973,696.85

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 298,720.92

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

Bonds Payable	\$ 290,000.00	
Certificates of Participation Payable	6,456,686.64	
Compensated Absences Payable	3,338,856.80	
Other Postemployment Benefits Payable	1,275,700.00	(11,361,243.44)

Net Position - Governmental Activities \$ 42,355,192.51

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

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**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 52,648.66	\$	\$	\$
Federal Through State and Local State	579,540.17	2,223,554.11	15.00	
	27,695,936.97			
Local:				
Property Taxes	4,773,065.18			
Impact Fees				
Charges for Services - Food Service				
Miscellaneous	912,032.80			31,317.93
Total Local Revenues	<u>5,685,097.98</u>			<u>31,317.93</u>
Total Revenues	<u>34,013,223.78</u>	<u>2,223,554.11</u>	<u>15.00</u>	<u>31,317.93</u>
Expenditures				
Current - Education:				
Instruction	20,066,491.74	1,091,320.55		
Pupil Personnel Services	1,696,364.41	236,475.34		
Instructional Media Services	654,980.77			
Instruction and Curriculum Development Services	684,493.29	397,190.34		
Instructional Staff Training Services	173,778.11	293,091.62	15.00	
Instruction Related Technology	252,023.06			
School Board	419,646.31			
General Administration	245,146.25	105,057.32		
School Administration	1,996,386.37			
Facilities Acquisition and Construction				
Fiscal Services	567,790.18			
Food Services	12,924.59			
Central Services	412,947.51	22,409.66		
Pupil Transportation Services	2,408,322.00	78,009.28		
Operation of Plant	3,216,768.80			
Maintenance of Plant	1,166,469.75			
Administrative Technology Services	498,309.61			
Community Services	195,721.65			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	9,500.00			
Other Capital Outlay				
Debt Service:				
Principal	466,666.67			
Interest and Fiscal Charges	127,466.05			
Total Expenditures	<u>35,272,197.12</u>	<u>2,223,554.11</u>	<u>15.00</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,258,973.34)</u>			<u>31,317.93</u>
Other Financing Sources (Uses)				
Transfers In				164,411.00
Proceeds from Sale of Capital Assets	20,931.00			
Insurance Loss Recoveries	8,760.19			
Transfers Out				
Total Other Financing Sources (Uses)	<u>29,691.19</u>			<u>164,411.00</u>
Net Change in Fund Balances	<u>(1,229,282.15)</u>			<u>195,728.93</u>
Fund Balances, Beginning	7,850,208.84			1,076,334.20
Fund Balances, Ending	<u>\$ 6,620,926.69</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,272,063.13</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	1,609,830.81	52,648.66
	196,310.83	4,412,940.09
		27,892,247.80
1,153,091.48		5,926,156.66
	125,021.60	125,021.60
	667,876.82	667,876.82
61,981.02	11,049.57	1,016,381.32
<u>1,215,072.50</u>	<u>803,947.99</u>	<u>7,735,436.40</u>
1,215,072.50	2,610,089.63	40,093,272.95
		21,157,812.29
		1,932,839.75
		654,980.77
		1,081,683.63
		466,884.73
		252,023.06
		419,646.31
		350,203.57
135,999.00	130,712.12	1,996,386.37
		266,711.12
		567,790.18
	2,255,357.00	2,268,281.59
		435,357.17
		2,486,331.28
		3,216,768.80
		1,166,469.75
		498,309.61
		195,721.65
		9,500.00
295,194.00		295,194.00
	90,000.00	556,666.67
	19,690.48	147,156.53
<u>431,193.00</u>	<u>2,495,759.60</u>	<u>40,422,718.83</u>
783,879.50	114,330.03	(329,445.88)
		164,411.00
		20,931.00
(164,411.00)		8,760.19
<u>(164,411.00)</u>		<u>(164,411.00)</u>
		29,691.19
619,468.50	114,330.03	(299,754.69)
852,073.99	965,155.84	10,743,772.87
<u>\$ 1,471,542.49</u>	<u>\$ 1,079,485.87</u>	<u>\$ 10,444,018.18</u>

**BAKER 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, 2013**

Net Change in Fund Balances - Governmental Funds \$ (299,754.69)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (1,547,899.82)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.

	\$	90,000.00	
Bonds Principal Payments			
Certificates of Participation Principal Payments		466,666.67	556,666.67

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (126,837.77)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (178,100.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 17,755.54

Change in Net Position - Governmental Activities \$ (1,578,170.07)

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2013**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 345,526.04
LIABILITIES	
Current Liabilities:	
Estimated Insurance Claims Payable	\$ 46,805.12
NET POSITION	
Unrestricted	298,720.92
TOTAL LIABILITIES AND NET POSITION	\$ 345,526.04

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 483,092.12
OPERATING EXPENSES	
Insurance Claims	466,438.81
Operating Income	16,653.31
NONOPERATING REVENUES	
Investment Income	1,102.23
Change in Net Position	17,755.54
Total Net Position - Beginning	280,965.38
Total Net Position - Ending	\$ 298,720.92

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 483,092.12
Cash Payments for Insurance Claims	(468,051.24)
Net Cash Provided by Operating Activities	15,040.88
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	1,102.23
Net Increase in Cash and Cash Equivalents	16,143.11
Cash and Cash Equivalents, Beginning	329,382.93
Cash and Cash Equivalents, Ending	\$ 345,526.04
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 16,653.31
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Estimated Insurance Claims Payable	(1,612.43)
Net Cash Provided by Operating Activities	\$ 15,040.88

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 850,264.00
LIABILITIES	
Accounts Payable	\$ 8,190.00
Internal Accounts Payable	842,074.00
TOTAL LIABILITIES	\$ 850,264.00

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Baker County School District's (District) 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.

B. Reporting Entity

The Baker County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Baker County.

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

Blended Component Unit. A blended component unit, is in substance, part of the primary District's operations, even though it is legally a separate entity. Thus, a blended component unit is appropriately presented as funds of the District. The BCSB Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note III.G.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

C. Basis of Presentation: Government-wide Financial Statements

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

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for the repayment of Qualified Zone Academy Bonds (QZABs).
- 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 proprietary and fiduciary fund types:

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

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally are United States government instrumentality obligations consisting of Federal Home Loan Mortgage Corporation (FHLMC) Discount Notes and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at average invoice price, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at year-end to reflect year-end physical inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	20 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.

5. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

6. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted

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fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed balance at June 30, 2013.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the Annual Financial Report, assigned fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In addition, the Board has adopted Policy 7.010, *School Budget System*, which provides that, if feasible, at least 4 percent of the recurring expenditure budget be reserved for unforeseen events including, but not limited to, revenue and student enrollment projection shortfalls.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

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2. State Revenue Sources

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2012 tax levy on September 4, 2012. 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

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when taxes are received by the District, except that revenue is accrued for taxes collected by the Baker 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.

4. Educational Impact Fees

Baker County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 2006. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

5. 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.

6. Compensated Absences

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

7. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 61. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the 2012-13 fiscal year. This Statement, in part, modifies

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certain requirements for inclusion of component units in the financial reporting entity. The Baker County Education Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation’s transactions are no longer considered quantitatively significant to the District. As such, the Foundation no longer meets the criteria of a component unit, and is not reported in the District’s financial statements for the 2012-13 fiscal year affecting the comparability of financial statements for the 2012-13 fiscal year with the financial statements for the 2011-12 fiscal year. The following summarizes the resulting prior period adjustment.

Beginning Net Position - \$63,660
Prior Period Adjustment - (\$63,660)
Beginning Net Position (Post Adjustment) - \$0

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance based on average daily balances.

B. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 288,733.32
Fund B	3.98 Year Average	59,004.85
Debt Service Accounts	6 Months	8,584.37
United States Instrumentality Obligations:		
FHLMC Discount Notes (2)	12/23/2013	1,272,063.13
Total Investments, Reporting Entity		\$1,628,385.67

Notes: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.
(2) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZABs) financing arrangement (see note G.1.).

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

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

The District's investment in United States government instrumentality obligations is authorized under a forward delivery agreement with the QZABs paying agent. The investments must have a maturity date on or before December 21, 2021. The District's investment in FHLMC Discount Notes was rated A-1+ by Standard & Poor's Rating Services and P-1 by Moody's Investors Service.

➤ **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

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United States government instrumentality obligations are held by the trustee in the name of the District.

➤ **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

More than 5 percent of the District’s investments are in FHLMC Discount Notes, a government sponsored enterprise of the United States Federal government. These investments are 78 percent of the District’s total investments and 100 percent of the investments in the Debt Service – Other Debt Service Fund. This investment is made pursuant to a forward delivery agreement related to the District’s QZABs (see note III.G.1).

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,273,919.96	\$	\$	\$ 1,273,919.96
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,473,398.86			3,473,398.86
Buildings and Fixed Equipment	63,399,716.90			63,399,716.90
Furniture, Fixtures, and Equipment	1,137,257.15	9,500.00		1,146,757.15
Motor Vehicles	5,258,072.01	295,194.00	369,336.43	5,183,929.58
Audio Visual Materials and Computer Software	569,917.60			569,917.60
Total Capital Assets Being Depreciated	73,838,362.52	304,694.00	369,336.43	73,773,720.09
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,547,096.65	73,825.63		2,620,922.28
Buildings and Fixed Equipment	23,330,355.70	1,328,118.87		24,658,474.57
Furniture, Fixtures, and Equipment	997,834.38	43,808.60		1,041,642.98
Motor Vehicles	3,236,993.30	377,527.30	369,336.43	3,245,184.17
Audio Visual Materials and Computer Software	478,405.78	29,313.42		507,719.20
Total Accumulated Depreciation	30,590,685.81	1,852,593.82	369,336.43	32,073,943.20
Total Capital Assets Being Depreciated, Net	43,247,676.71	(1,547,899.82)		41,699,776.89
Governmental Activities Capital Assets, Net	\$ 44,521,596.67	\$ (1,547,899.82)	\$ 0.00	\$ 42,973,696.85

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 377,527.30
Unallocated	1,475,066.52
Total Depreciation Expense - Governmental Activities	\$ 1,852,593.82

D. Florida Retirement System

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded

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by employer and employee 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
FRS, Senior Management Service	3.00	6.30
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$2,435,959.33, \$1,815,493.59, and \$1,736,066.45, respectively, which were equal to the required contributions for each fiscal year.

There were 61 District participants in the Investment Plan during the 2012-13 fiscal year. The District’s contributions, including employee contributions, to the Investment Plan totaled \$154,150.46, which was equal to the required contribution for the 2012-13 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical, prescription drug, dental, and life insurance coverage. The District subsidizes the

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premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to Board approval on July 16, 2007. Under this incentive, retirees receive contributions based on their years of service ranging from \$169.81 per month for 10 to 19 years of service, to \$212.56 per month for 30 years or more of service. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended by the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 197 retirees and dependents received other postemployment benefits. The District provided required contributions of \$308,200 toward the annual OPEB cost, net of retiree contributions totaling \$288,000, which represents 1.2 percent of covered payroll.

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

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Description	Amount
Normal Cost (service cost for one year)	\$ 240,300
Amortization of Unfunded Actuarial Accrued Liability	230,100
Interest on Normal Cost and Amortization	9,300
Annual Required Contribution	479,700
Interest on Net OPEB Obligation	43,900
Adjustment to Annual Required Contribution	(37,300)
Annual OPEB Cost (Expense)	486,300
Contribution Toward the OPEB Cost	(308,200)
Change in Net OPEB Obligation	178,100
Net OPEB Obligation, Beginning of Year	1,097,600
Net OPEB Obligation, End of Year	\$1,275,700

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 572,216	64.1%	\$ 906,100
2011-12	593,400	67.7%	1,097,600
2012-13	486,300	63.4%	1,275,700

Funded Status and Funding Progress. As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$6,902,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,902,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,991,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.8 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the

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notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of July 1, 2012, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2013, and estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 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 for the 2012-13 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

F. 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 Baker County District School Board is a member of the North East Florida Educational Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the Board 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 Putnam County District School Board serves as fiscal agent for the Consortium.

The Board contracted with a commercial insurance company to provide employee group health insurance. In addition, the Board has established self-insurance plans to provide District employees with supplemental dental, hospital indemnity, disability, and vision coverage. The dental and hospital indemnity plans are for District employees and retirees, and their dependents, and the disability and vision plans are for District employees. The plans are administered through an internal service fund. Under the dental, hospital indemnity, and vision plans, the Board contributes employee premiums as a fringe benefit. The Board also contributes specified amounts for qualifying retirees to the hospital indemnity plan. Employee dependent coverage and other coverage for retirees and their dependents are by prepaid premium.

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The claims liability of \$46,805.12 is reported in the internal service fund at June 30, 2013, to cover estimated incurred, but not reported, insurance claims payable of the employee supplemental insurance plans. The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	\$ 44,010.48	\$ 504,878.97	\$ (500,471.90)	\$ 48,417.55
2012-13	48,417.55	466,438.81	(468,051.24)	46,805.12

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

G. Long -Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2013, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2005A	\$ 3,266,666.64	3.65	2020	\$ 7,000,000.00
Series 2005-QZAB	3,190,020.00	(1)	2021	3,190,020.00
Total Certificates of Participation	<u>\$ 6,456,686.64</u>			<u>\$10,190,020.00</u>

Note (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZABs. The rate of return to the holders was established by the United States Government at the time of the sale.

The District entered into a master financing arrangement on March 1, 2005, which was characterized as lease-purchase agreement, with the BCSB Leasing Corporation (Leasing Corporation), whereby the District secured financing of various educational facilities, improvements, and equipment.

The financing was accomplished through the issuance of certificates of participation by the Leasing Corporation to third-party investors to be repaid from the proceeds of rents paid by the District.

Series 2005A Certificates. The District secured financing of a prekindergarten through kindergarten educational facility in the total amount of \$7,000,000 through the issuance of Master Lease Program Obligations, Series 2005A. As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$10 per year. The initial term of the lease is 20 years commencing on March 1, 2005. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds,

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates.

The District properties included in the Series 2005A ground lease under this arrangement include portions of land underlying the buildings constructed for the Pre-K/Kindergarten Center building and related property together with premises rights on the servient property.

Series 2005-QZAB Certificates. The Series 2005-QZAB certificates were issued under a special program whereby the certificates, bearing an original issue date of December 21, 2005, will mature in full on December 21, 2021, for the original \$3,190,020 issue amount. There is no interest cost for borrowing moneys under this program. The financing proceeds were used for facilities upgrades, safety improvements, transportation equipment, and technology improvements at several designated schools, which were leased by the District from the Leasing Corporation. The schools designated for the improvements and equipment included Baker County Middle, Westside Elementary, Keller Intermediate, and Macclenny Elementary Schools. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$164,411 are required for 16 consecutive years beginning December 21, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the certificates mature. The Series 2005-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

Minimum Lease Payments. With the exception of the Series 2005-QZAB issue as discussed above, lease payments are payable by the District, semiannually, on July 15 and January 15, at an interest rate of 3.65 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 577,383.34	\$ 466,666.67	\$ 110,716.67
2015	560,350.00	466,666.67	93,683.33
2016	543,316.67	466,666.67	76,650.00
2017	526,283.34	466,666.67	59,616.67
2018	509,250.00	466,666.67	42,583.33
2019-2020	967,400.01	933,333.29	34,066.72
Total Minimum Lease Payments	<u>\$ 3,683,983.36</u>	<u>\$ 3,266,666.64</u>	<u>\$ 417,316.72</u>

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

2. Bonds Payable

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 240,000	5.0	2017
Series 2011A, Refunding	50,000	5.0	2015
Total Bonds Payable	\$ 290,000		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 114,500	\$ 100,000	\$ 14,500
2015	104,500	95,000	9,500
2016	84,750	80,000	4,750
2017	15,750	15,000	750
Total	\$ 319,500	\$ 290,000	\$ 29,500

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 380,000.00	\$	\$ 90,000.00	\$ 290,000.00	\$ 100,000.00
Certificates of Participation Payable	6,923,353.31		466,666.67	6,456,686.64	466,666.67
Compensated Absences Payable	3,212,019.03	484,912.18	358,074.41	3,338,856.80	400,000.00
Other Postemployment Benefits Payable	1,097,600.00	486,300.00	308,200.00	1,275,700.00	
Total Governmental Activities	<u>\$ 11,612,972.34</u>	<u>\$ 971,212.18</u>	<u>\$ 1,222,941.08</u>	<u>\$ 11,361,243.44</u>	<u>\$ 966,666.67</u>

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

H. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

I. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 213,646.31	\$ 353,881.38
Special Revenue - Other		124,823.88
Capital Projects - Local Capital Improvement	353,881.38	
Nonmajor Governmental		88,822.43
Total	\$ 567,527.69	\$ 567,527.69

These interfund amounts primarily represent loans to cover temporary cash deficits in pooled accounts and expenditures incurred prior to reimbursements from outside parties. These amounts are expected to be repaid within one year.

J. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2012-13 fiscal year:

Source	Amount
Florida Education Finance Program	\$20,739,403.00
Categorical Educational Programs - Class Size Reduction	5,267,035.00
School Recognition Funds	452,300.00
Voluntary PreKindergarten Program	435,087.72
Workforce Development Program	171,512.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	169,065.80
Preschool Projects	140,514.52
Adults With Disabilities	137,099.00
Full Service Schools	43,695.00
Food Service Supplement	28,374.00
Miscellaneous	308,161.76
Total	\$27,892,247.80

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

2. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.216	\$ 4,169,920.66
Basic Discretionary Local Effort	0.748	597,987.09
Critical Operating Needs	0.250	199,861.99
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,199,171.97
Total	7.714	\$ 6,166,941.71

The Baker County Tax Collector (Tax Collector) made errors in distributing tax collections for the 2008 through 2012 tax years, resulting in under-distribution of \$1,530,262.96 of tax collections to the District. The Tax Collector has agreed to remit these tax moneys to the District over a period not to exceed six years, beginning with the 2013 tax year.

K. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
Debt Service - Other Debt Service	\$ 164,411	\$
Capital Projects - Local Capital Improvement		164,411
Total	\$ 164,411	\$ 164,411

The transfer from the Capital Projects – Local Capital Improvement Fund to the Debt Service – Other Debt Service Fund was for the required annual QZAB sinking fund deposit.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**BAKER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 60,000.00	\$ 60,000.00	\$ 52,648.66	\$ (7,351.34)
Federal Through State and Local State	275,000.00 27,896,014.00	275,000.00 27,896,014.00	579,540.17 27,695,936.97	304,540.17 (200,077.03)
Local:				
Property Taxes	4,967,770.00	4,967,770.00	4,773,065.18	(194,704.82)
Miscellaneous	539,479.30	539,479.30	912,032.80	372,553.50
Total Local Revenues	<u>5,507,249.30</u>	<u>5,507,249.30</u>	<u>5,685,097.98</u>	<u>177,848.68</u>
Total Revenues	<u>33,738,263.30</u>	<u>33,738,263.30</u>	<u>34,013,223.78</u>	<u>274,960.48</u>
Expenditures				
Current - Education:				
Instruction	20,876,824.87	20,867,324.87	20,066,491.74	800,833.13
Pupil Personnel Services	1,649,229.91	1,749,229.91	1,696,364.41	52,865.50
Instructional Media Services	640,852.21	720,852.21	654,980.77	65,871.44
Instruction and Curriculum Development Services	816,376.87	816,376.87	684,493.29	131,883.58
Instructional Staff Training Services	233,817.42	233,817.42	173,778.11	60,039.31
Instruction Related Technology	253,230.16	283,230.16	252,023.06	31,207.10
School Board	480,700.00	480,700.00	419,646.31	61,053.69
General Administration	303,559.00	303,559.00	245,146.25	58,412.75
School Administration	2,067,961.56	2,067,961.56	1,996,386.37	71,575.19
Facilities Acquisition and Construction	20,000.00	20,000.00		20,000.00
Fiscal Services	603,100.00	603,100.00	567,790.18	35,309.82
Food Services	7,100.00	14,100.00	12,924.59	1,175.41
Central Services	488,563.38	488,563.38	412,947.51	75,615.87
Pupil Transportation Services	2,454,496.88	2,454,496.88	2,408,322.00	46,174.88
Operation of Plant	4,850,919.65	4,533,919.65	3,216,768.80	1,317,150.85
Maintenance of Plant	1,225,095.50	1,225,095.50	1,166,469.75	58,625.75
Administrative Technology Services	646,200.00	646,200.00	498,309.61	147,890.39
Community Services	240,950.80	240,950.80	195,721.65	45,229.15
Fixed Capital Outlay:				
Other Capital Outlay		9,500.00	9,500.00	
Debt Service:				
Principal	466,666.67	466,666.67	466,666.67	
Interest and Fiscal Charges	85,167.33	185,167.33	127,466.05	57,701.28
Total Expenditures	<u>38,410,812.21</u>	<u>38,410,812.21</u>	<u>35,272,197.12</u>	<u>3,138,615.09</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,672,548.91)</u>	<u>(4,672,548.91)</u>	<u>(1,258,973.34)</u>	<u>3,413,575.57</u>
Other Financing Sources (Uses)				
Transfers In	165,000.00	165,000.00		(165,000.00)
Proceeds from Sale of Capital Assets			20,931.00	20,931.00
Insurance Loss Recoveries			8,760.19	8,760.19
Total Other Financing Sources (Uses)	<u>165,000.00</u>	<u>165,000.00</u>	<u>29,691.00</u>	<u>(135,308.81)</u>
Net Change in Fund Balances	<u>(4,507,548.91)</u>	<u>(4,507,548.91)</u>	<u>(1,229,282.15)</u>	<u>3,278,266.76</u>
Fund Balances, Beginning	7,850,208.84	7,850,208.84	7,850,208.84	
Fund Balances, Ending	<u>\$ 3,342,659.93</u>	<u>\$ 3,342,659.93</u>	<u>\$ 6,620,926.69</u>	<u>\$ 3,278,266.76</u>

Original Budget	Special Revenue - Other Fund			Variance with Final Budget - Positive (Negative)	Special Revenue - Federal Economic Stimulus Fund			
	Final Budget	Actual			Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,927,577.23	\$ 2,936,651.77	\$ 2,223,554.11		\$ (713,097.66)	\$ 153.79	\$ 153.79	\$ 15.00	\$ (138.79)
<u>2,927,577.23</u>	<u>2,936,651.77</u>	<u>2,223,554.11</u>		<u>(713,097.66)</u>	<u>153.79</u>	<u>153.79</u>	<u>15.00</u>	<u>(138.79)</u>
1,335,533.33	1,358,245.51	1,091,320.55		266,924.96				
341,502.00	307,191.79	236,475.34		70,716.45				
1,200.00	1,200.00			1,200.00				
356,975.00	418,630.40	397,190.34		21,440.06				
546,577.00	545,636.43	293,091.62		252,544.81	153.79	153.79	15.00	138.79
190,223.50	133,858.00	105,057.32		28,800.68				
70,328.40	57,797.64	22,409.66		35,387.98				
85,238.00	114,092.00	78,009.28		36,082.72				
<u>2,927,577.23</u>	<u>2,936,651.77</u>	<u>2,223,554.11</u>		<u>713,097.66</u>	<u>153.79</u>	<u>153.79</u>	<u>15.00</u>	<u>138.79</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
June 30, 2009	\$ 0	\$ 8,315,656	\$ 8,315,656	0.0%	\$ 22,999,314	36.2%
July 1, 2010	0	8,261,100	8,261,100	0.0%	20,782,900	39.7%
July 1, 2012	0	6,902,000	6,902,000	0.0%	23,991,500	28.8%

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

**BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

I. BUDGETARY BASIS OF ACCOUNTING

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

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

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2012, unfunded actuarial accrued liability of \$6,902,000 was significantly lower than the July 1, 2010, liability of \$8,261,100 as a result of changes in cost and liability as discussed below:

- Claims costs were updated to reflect the most recent premium rates.
- The mortality table was updated to the RP-2000 Generational Mortality Table.
- Dental benefits were excluded from the valuation because retiree contribution rates are believed to be sufficient to cover the cost of the benefits.
- The current valuation includes all active employees eligible to elect postemployment benefits, whereas the previous valuation only included employees that actually elected coverage.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**BAKER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013**

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:			
Florida Department of Agriculture and Consumer Services:			
Specialty Crop Block Grant Program - Farm Bill	10.170	None	\$ 3,442.32
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	316,337.04
National School Lunch Program	10,555 (2)	300, 350	1,279,854.42
Summer Food Service Program for Children	10.559	323	13,639.35
Total Child Nutrition Cluster			1,609,830.81
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	146,430.86
Total United States Department of Agriculture			1,759,703.99
United States Department of Labor:			
Indirect:			
First Coast Workforce Development, Inc.:			
WIA Youth Activities	17.259	None	220,189.57
United States Department of Education:			
Direct:			
Teacher Incentive Fund	84.374	N/A	25,669.60
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	914,834.36
Special Education - Preschool Grants	84.173	267	58,826.22
Total Special Education Cluster			973,660.58
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	110,346.52
Title I Grants to Local Educational Agencies	84.010	212, 228	873,104.63
Career and Technical Education - Basic Grants to States	84.048	161	146.13
Education for Homeless Children and Youth	84.196	127	85,790.23
Improving Teacher Quality State Grants	84.367	224	180,506.02
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RG311	15.00
Total Indirect			2,223,569.11
Total United States Department of Education			2,249,238.71
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	52,648.66
Total Expenditures of Federal Awards			\$ 4,281,780.93

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

(2) Noncash Assistance - National School Lunch Program. Includes \$134,923.95 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the Baker County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 13, 2014



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Baker County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 13, 2014

**BAKER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**BAKER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

ADDITIONAL MATTERS

Finding No. 1: School Bus Driver History Records

State Board of Education (SBE) Rule 6A-3.0141(6), Florida Administrative Code (FAC), requires the District to obtain and review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver's history record for school bus drivers prior to initial employment and the first day of the fall semester, and thereafter using automated weekly updates. The District's *Transportation Department Standard Operating Procedures and Driver's Handbook* includes a Safe Driver Plan that provides, in part, a point system for driving infractions that requires administrative actions against drivers, ranging from verbal warnings to employment termination, based on the points accumulated. Also, SBE Rule 6A-3.0141(8), FAC, and Board policy provide that school bus drivers with expired, suspended, or revoked commercial vehicle driving licenses, or infractions making the driver unqualified for the position in accordance with the District's Safe Driver Plan, will not be allowed to drive a school bus.

While District records indicated that monitoring procedures over school bus drivers were generally adequate, our review disclosed that such procedures could be improved. Specifically, we noted the following:

- Our test of 5 of 11 bus drivers hired during the 2011-12 and 2012-13 fiscal years disclosed that the District did not obtain and review the FDHSMV driver history records for 4 of the bus drivers prior to initial employment, contrary to SBE Rule 6A-3.0141(6), FAC. District personnel monitored the driver history records by reviewing weekly updates for 2 of the 4 drivers for expired, suspended, or revoked licenses and Safe Driver Plan points accumulated. However, District records, as of April 30, 2013, did not evidence that District personnel appropriately monitored driving histories for the other 2 drivers. Subsequent to our inquiries, District personnel confirmed through review of the driver's history records that the 2 remaining bus drivers did not have expired, suspended, or revoked licenses or Safe Driver Plan points accumulated to warrant disciplinary actions.
- Our test of 10 of 63 bus drivers hired prior to the 2011-12 fiscal year, who drove buses starting on August 20, 2012 (first day of the fall 2012 semester), disclosed that District personnel did not obtain and review the FDHSMV driver history records of these 10 drivers until November 6, 2012, or 78 days after the first day of the fall 2012 semester, contrary to SBE Rule 6A-3.0141(6), FAC. The November 6, 2012, review of these driver's history records indicated that the drivers did not have expired, suspended, or revoked licenses or Safe Driver Plan points accumulated to warrant disciplinary actions; however, without reviewing bus driver history records before allowing the drivers to transport students, there is an increased risk that drivers may have unsuitable driving histories.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that District personnel timely review bus driver history records to ensure that drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure the timely review of school bus driver history records for current and prospective bus drivers.

Finding No. 2: Workforce Education

Pursuant to Section 1011.80, Florida Statutes, the District receives funding for workforce education programs and is required to use the money to benefit the programs it provides. During the 2012-13 fiscal year, the District received \$174,986 in workforce education program revenues for its adult education program. This revenue, when combined with \$161,450 of unspent workforce education revenues designated to the adult education program in prior fiscal years, made available \$336,436 for expenditures in the adult education program during the 2012-13 fiscal year.

Workforce education revenues expended in the adult education program totaled \$132,846, representing 39.5 percent of that available during the 2012-13 fiscal year, and the unencumbered balance carried forward into the 2013-14 fiscal year was \$203,591. Further, District records indicated that workforce education revenues exceeded expenditures by increasing amounts over the last four fiscal years, with an average accumulation of about \$50,900 per year. In response to our inquiries, District personnel indicated that unspent workforce education funds would be utilized to offset future funding allocation decreases; however, the Board had not adopted a formal plan establishing the goals and priorities for the use of unspent workforce education funds. Although the workforce education funds are restricted for adult education purposes and not subject to reversion, carrying forward large balances of such funds into subsequent years does not appear to be consistent with the legislative intent for annually funding the adult education program and does not appear to benefit the persons and programs for which the funds were generated.

Recommendation: The Board should develop and establish a spending plan for unspent workforce education program funds to serve as a guide to ensure that these resources will have a direct, positive impact on programs as intended by the Legislature.

Finding No. 3: Facilities Management

The District's facilities and maintenance department is responsible for managing construction and renovation projects and ensuring facilities are safe and suitable for their intended use. Department personnel also perform heating, ventilating, air conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the department employed 7 employees and the department's operating cost was \$1.4 million. Also, during the fiscal year, the District had no major construction projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on October 21, 2013, the District planned to spend \$2.4 million on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$68.1 million and, as shown on the Florida Department of Education's (FDOE) Florida Inventory of School Houses data, District facilities had an average age of 27 years.

Given the significant commitment of public funds to maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities maintenance techniques to determine the most cost-effective and efficient technique. In addition, performance evaluations could include established goals for maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities and maintenance department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Maintenance Techniques.** Maintenance-related jobs, such as painting, plumbing, electrical, and HVAC repairs, are routinely performed by facilities and maintenance department personnel based on

safety and suitability priorities, although some jobs are outsourced to vendors. District personnel indicated that they had not established written policies and procedures for evaluating the various maintenance-related job techniques and, while they consider alternative techniques, they have not documented evaluations of the various techniques to determine, for each significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial maintenance techniques.

- **Accountability.** The facilities and maintenance department had established short-term and long-term goals; however, these goals did not address accountability for the department. For example, the goals for the department included such objectives as providing a safe and comfortable environment for students and staff, maximizing equipment usage and extending equipment useful life, and improving efficiency of budgeted funding allocations. However, these goals did not sufficiently identify cost-effectiveness or efficiency outcomes. To adequately establish outcome measures, the facilities and maintenance department could set goals such as completing maintenance-related jobs that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a job did not initially meet building code requirements, and to compare job costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine jobs, and progress toward meeting the goals could be measured by comparing job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance department is operating as cost-effectively and efficiently as possible.

Recommendation: The District should consider developing written policies and procedures requiring periodic evaluations of alternative maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing additional goals and objectives for the facilities and maintenance department to identify cost-effectiveness or efficiency outcomes for department personnel.

Finding No. 4: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes the requirements for VIPs and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction, provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

For the 2012-13 fiscal year, District records indicated enrollments of 72 part-time VIP students. The District's pupil progression plan and other records identified certain instruction methods and enrollment and withdrawal information. In addition, District personnel indicated that guidelines were established for the administration of the VIP; however, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations.

To promote compliance with the VIP statutory requirements, documented policies and procedures could evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of District noncompliance and control deficiencies identified in Finding Nos. 5 through 7.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.

Finding No. 5: Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in VIPs. Further, Section 1002.45(1)(b), Florida Statutes, requires all school districts to provide parents with timely written notification of the open enrollment periods for their VIPs.

District personnel indicated that various communication methods were used to provide information about the District's VIPs to parents and students. Such communication methods included newspaper advertisements and registration packets that parents could obtain from the school guidance office. While these methods indicate efforts by District personnel to communicate with parents and students about the VIPs for the 2012-13 school year, District records did not evidence that written notifications were provided directly to parents and students. In addition, the VIP communications did not include the open enrollment period dates.

District personnel indicated that the registration packet directed students to a regional consortium Web site that contained enrollment period details. However, without evidence that timely written notification was provided directly to parents, some parents may not have been informed of the available VIP options and the associated enrollment periods, contrary to State law and potentially resulting in limited student access to virtual instruction types.

Recommendation: The District should enhance its procedures to ensure that records evidencing timely written notifications to parents about student opportunities to participate in VIPs and open enrollment period dates.

Finding No. 6: VIP Options

Section 1002.45(1)(b), Florida Statutes, requires that the District, because it is located in a sparsely-populated county eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, to provide students the option of participating in a part-time or full-time VIP.

Although the District provided all students the opportunity to participate in full-time virtual instruction and students in grades 6 through 12 the opportunity to participate in part-time virtual instruction, the District did not provide students in grades kindergarten through 5 the opportunity to participate in part-time virtual instruction. District personnel indicated that the option had not been established because no such option was available through its VIP provider; however, without providing the required option, the District limited student access to the part-time virtual instruction types, contrary to Section 1002.45(1)(b), Florida Statutes.

Recommendation: The District should ensure that it offers all students the option of participating in a part-time VIP as required by law.

Finding No. 7: VIP Contract Reporting

Pursuant to Section 1002.45(1)(c), Florida Statutes, a school district may contract with the Florida Virtual School (FLVS) or an approved provider to provide students the option of participating in VIP, and such contracts may include multidistrict contractual arrangements that are executed by a regional consortium for its member districts. Section 1002.45(1)(e)1., Florida Statutes, requires that each school district annually submit a copy of each VIP contract and the amounts paid per unweighted full-time equivalent (FTE) student for services procured to the FDOE by October 1.

For the 2012-13 fiscal year, the District entered into one multidistrict contractual arrangement executed by a regional consortium. In accordance with the agreement, the District was to pay the regional consortium a per-student fee based on student participation and successful completions and the District was responsible for reporting information to the FDOE. However, contrary to Section 1002.45(1)(e)1., Florida Statutes, the District did not submit a copy of the contract or the amounts paid per unweighted FTE student to the FDOE. Upon inquiry, District personnel indicated that the required information was not submitted because of an oversight and that procedures would be implemented to ensure compliance for the 2013-14 fiscal year. It is important that the required information be timely submitted to the FDOE to ensure the FDOE appropriately evaluates the effectiveness and efficiency of various types of instructional programs and methods.

Recommendation: The District should enhance its procedures to ensure that VIP contracts and amounts paid per unweighted FTE student are reported to the FDOE as required by Section 1002.45(1)(e)1., Florida Statutes.

Finding No. 8: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed that certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, data loss prevention, and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2013-079.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*BAKER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2013-079		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



Baker County Public Schools

270 South Boulevard East
Macclenny, Florida 32063

Telephone: (904) 259-6251

www.baker.k12.fl.us

Fax: (904) 259-1387

Sherrie Raulerson
Superintendent of Schools
"Where Children Are First!"



February 10, 2014

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399

Dear Mr. Martin:

As always it is a pleasure to work with your audit staff. We are pleased once again that there were no material findings. In response to the "Additional Matters" noted for the fiscal year ending June 30, 2013, we are taking the following corrective action:

Finding No. 1: School Bus Driver History Records

The District has enhanced its procedures by reviewing all FDHSMV driver history records prior to the first day of school. In addition, we will continue to monitor the weekly report sent by the FDHSMV on driver incidents.

Finding No. 2: Workforce Education

The Adult Education Department has developed and established a spending plan for unspent workforce education program funds. The plan will be sent to the Board for approval.

Finding No. 3: Facilities Management

The Facilities Department will continue to enhance controls over facilities maintenance.

Finding No. 4: Virtual Instruction Program Policies and Procedures

The District will develop written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.

"Preparing individuals to be lifelong learners, self-sufficient and responsible citizens of good character"

DISTRICT SCHOOL BOARD MEMBERS

Earl Dwight Crews
District 1

Richard Dean Griffis
District 2

Jesse D. Davis
District 3

Charlie M. Burnett, III
District 4

Patricia C. Weeks
District 5

AN EQUAL ACCESS/EQUAL OPPORTUNITY INSTITUTION

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

Finding No. 5: Written Parental Notifications

The District will enhance procedures to ensure that timely written notifications are given to parents about student opportunities to participate in VIPs.

Finding No. 6: VIP Options

The VIP option provided by the District for the 2013-14 school year offers part-time VIP classes for kindergarten through 5.

Finding No. 7: VIP Contract Reporting

Although the District did not send a copy of the 2012-13 VIP contract to FDOE, a copy of the 2013-14 VIP contract has been sent. During the 2012-13 school year, there were no payments made to the consortium for VIP unweighted FTE students.

Finding No. 8: Information Technology - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

The District has improved and will continue to improve IT security controls.

Thank you for the assistance and technical advice your staff gave us during the audit and for pointing out areas our district can improve upon.

If you have any questions or need further assistance, please contact me.

Sincerely,



Sherrie Raulerson
Superintendent of Schools