REPORT NO. 2015-112
MARCH 2015

BAKER COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	District No.
Earl Dwight Crews, Vice Chair from 11-19-13	1
Richard Dean Griffis, Chair to 11-18-13	2
Jesse D. Davis to 9-29-13 (1)	3
Naomi C. Roberson from 4-25-14 (1)	3
Charlie M. Burnett	4
Patricia C. Weeks, Vice Chair to 11-18-13, Chair from 11-19-13	5

Sherrie Raulerson, Superintendent

Note: (1) Former Board member resigned effective September 29, 2013, and position remained vacant until April 25, 2014.

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. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District's procedures over the advertising, accountability, and expenditure of ad valorem tax levy proceeds needed improvement.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 3: The District needed to establish its procedures to require verification of eligibility of all dependents covered by the District's healthcare plans.

Finding No. 4: The District had not developed a comprehensive, written information technology (IT) disaster recovery plan.

Finding No. 5: District IT security controls related to 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 Title I, Special Education Cluster, and WIA Youth Activities programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 2014-001: The District did not maintain required documentation to support salary and benefit charges for several District employees paid from WIA Youth Activities program funds.

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. 2014-119.**

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, 2014. 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.

AUDITOR GENERAL
STATE OF FLORIDA

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111 West Madison Street
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AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT

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, 2014, 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 34 percent of the assets and 84 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, 2014, 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.

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 District'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 11, 2015

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, 2014. 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 2013-14 fiscal year are as follows:

- As of June 30, 2014, assets exceed liabilities by $40,950,146. Of this amount, $684,306 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position decreased $1,405,047, which represents a 3.3 percent decrease from the 2012-13 fiscal year.
- General revenues total $38,926,828, or 93.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $2,901,748, or 6.9 percent of all revenues.
- Expenses total $43,233,623. Only $2,901,748 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 $5,252,896, which is $1,368,031 less than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances was $5,076,489, or approximately 14.3 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, student 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 predominantly 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. The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

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, 2014, compared to net position as of June 30, 2013:

Net Position, End of Year

	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	$ 10,967,393	$ 12,021,248
Capital Assets	42,019,606	42,973,697
Total Assets	52,986,999	54,994,945
Long-Term Liabilities	11,019,597	11,361,243
Other Liabilities	1,017,256	1,278,509
Total Liabilities	12,036,853	12,639,752
Net Position:		
Net Investment in Capital Assets	35,839,586	36,227,010
Restricted	4,426,254	4,079,453
Unrestricted	684,306	2,048,730
Total Net Position	$ 40,950,146	$ 42,355,193

The largest portion of the District's net position (87.5 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 (10.8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (1.7 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, 2014, and June 30, 2013, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	$ 1,017,140	$ 1,038,841
Operating Grants and Contributions	1,716,314	1,639,123
Capital Grants and Contributions	168,293	169,531
General Revenues:		
Property Taxes, Levied for Operational Purposes	5,057,146	4,773,065
Property Taxes, Levied for Capital Projects	1,291,698	1,153,091
Grants and Contributions Not Restricted to Specific Programs	31,779,860	30,549,183
Unrestricted Investment Earnings	70,801	73,064
Miscellaneous	727,324	728,168
Total Revenues	41,828,576	40,124,066
Functions/Program Expenses:		
Instruction	21,941,418	21,236,379
Student Personnel Services	1,975,951	1,940,531
Instructional Media Services	641,183	657,544
Instruction and Curriculum Development Services	1,068,153	1,085,578
Instructional Staff Training Services	657,988	468,381
Instruction Related Technology	276,674	252,968
School Board	547,404	598,402
General Administration	386,240	351,039
School Administration	2,081,163	2,004,710
Facilities Acquisition and Construction	385,455	266,711
Fiscal Services	627,583	570,018
Food Services	2,202,835	2,272,207
Central Services	400,377	419,366
Student Transportation Services	2,935,641	2,870,434
Operation of Plant	3,441,423	3,222,115
Maintenance of Plant	1,129,058	1,168,343
Administrative Technology Services	821,996	499,128
Community Services	208,136	196,158
Unallocated Interest on Long-Term Debt	125,987	147,157
Unallocated Depreciation Expense	1,378,958	1,475,067
Total Functions/Program Expenses	43,233,623	41,702,236
Change in Net Position	(1,405,047)	(1,578,170)
Net Position - Beginning	42,355,193	43,933,363
Net Position - Ending	$ 40,950,146	$ 42,355,193

The largest revenue source is the State of Florida (68.9 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 $1,302,123, or 6.3 percent, while other State revenues decreased by $378,807, or 5.3 percent, from the previous fiscal year. This resulted in a net increase in State revenues of $923,316, or 3.3 percent.

Total governmental expenses for the 2013-14 fiscal year increased by $1,531,387 from the previous fiscal year. Instructional expenses were $21,941,418, or 50.8 percent, of total governmental expenses in the 2013-14 fiscal year, as compared to $21,236,379, or 50.9 percent, of total governmental expenses in the 2012-13 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 $849,507 during the fiscal year to $9,594,511 at June 30, 2014. Of the total fund balance, $4,576,022, or 47.7 percent, is unassigned; $143,945 is nonspendable; $4,374,077 is restricted; and $500,467 is assigned.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, total fund balance is $5,252,896. Total fund balance decreased by $1,368,031, or 20.7 percent, during the fiscal year mainly because of the increased salaries and benefits expenditures. The unassigned fund balance, which is available for general appropriation by the Board, totals $4,576,023, or 12.9 percent of General Fund revenues.

The Special Revenue – Other Fund has total revenues and expenditures of $2,382,306 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 $2,994 each and the funding was mainly used for instructional staff training. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate a fund balance.

The Debt Service – Other Debt Service Fund has a total fund balance of $1,472,684, which is restricted for the payment of debt service on the Qualified Zone Academy Bonds (QZABs). The fund balance increased by $200,621 from transfers in from the Capital Projects – Local Capital Improvement Fund and investment interest 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 $1,788,453, an increase of $316,911, or 21.5 percent, over the prior fiscal year. Revenues from local property taxes in this fund totaled $1,291,698. Fund balance increased because the District accumulated moneys for a major heating, ventilating, and air conditioning renovation project at Baker County High School.

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 $56,906 during the 2013-14 fiscal year to $355,626 at June 30, 2014. This increase occurred primarily because of decreased insurance claims expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 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 $883,200, or 2.6 percent, while expenditures were $1,618,653, or 4.2 percent, less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance in the final amended budget by $2,502,728, mainly because expenditures for instructional salaries and benefits and purchased services in operation of plant were less than anticipated.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of the 2013-14 fiscal year, the District had $42,019,606 invested in capital assets, net of accumulated depreciation. The following table reflects the 2013-14 fiscal year net capital assets balances compared to the 2012-13 fiscal year:

	Capital Assets at June 30 Net of Depreciation	
	6-30-14	6-30-13
Land	$ 1,273,920	$ 1,273,920
Improvements Other Than Buildings	781,904	852,477
Buildings and Fixed Equipment	37,538,489	38,741,242
Furniture, Fixture, and Equipment	284,667	105,114
Motor Vehicles	2,107,032	1,938,745
Audio Visual Materials and Computer Software	33,594	62,198
Net Capital Assets	$ 42,019,606	$ 42,973,697

The District did not have any major construction projects during the 2013-14 fiscal year. Additional information on the District's capital assets can be found in notes I.F.4 and II.C to the financial statements.

Long-Term Debt

At June 30, 2014, the District had $190,000 in outstanding bonds and $5,990,020 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, Refunding, 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 II.G to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Employer contributions to the Florida Retirement System increased for regular employees from 6.95 to 7.37 percent of payroll for the 2014-15 fiscal year, which has further limited the District's available funding.

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 District School Board, 392 South Boulevard East, Macclenny, Florida 32063.

BASIC FINANCIAL STATEMENTS

BAKER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 9,133,769.45
Investments	18,976.44
Due from Other Agencies	198,017.66
Inventories	143,944.93
Restricted Investments	1,472,684.37
Capital Assets:	
Nondepreciable Capital Assets	1,273,919.96
Depreciable Capital Assets, Net	40,745,685.98
TOTAL ASSETS	52,986,998.79
LIABILITIES	
Salaries and Benefits Payable	61,145.81
Payroll Deductions and Withholdings	658,893.46
Accounts Payable	239,906.95
Due to Other Agencies	5,933.23
Deposits Payable	2,869.36
Estimated Insurance Claims Payable	48,506.55
Long-Term Liabilities:	
Portion Due Within One Year	961,666.67
Portion Due After One Year	10,057,930.80
TOTAL LIABILITIES	12,036,852.83
NET POSITION	
Net Investment in Capital Assets	35,839,585.97
Restricted for:	
State Required Carryover Programs	84,638.98
Debt Service	1,477,930.40
Capital Projects	2,118,051.15
Food Service	745,633.73
Unrestricted	684,305.73
TOTAL NET POSITION	$ 40,950,145.96

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 21,941,417.62	$ 173,811.39	$	$	$ (21,767,606.23)
Student Personnel Services	1,975,950.86				(1,975,950.86)
Instructional Media Services	641,182.82				(641,182.82)
Instruction and Curriculum Development Services	1,068,153.42				(1,068,153.42)
Instructional Staff Training Services	657,988.33				(657,988.33)
Instruction Related Technology	276,674.14				(276,674.14)
School Board	547,404.35				(547,404.35)
General Administration	386,239.80				(386,239.80)
School Administration	2,081,162.78				(2,081,162.78)
Facilities Acquisition and Construction	385,454.63			56,219.06	(329,235.57)
Fiscal Services	627,583.19				(627,583.19)
Food Services	2,202,835.19	630,435.21	1,716,314.24		143,914.26
Central Services	400,377.13				(400,377.13)
Student Transportation Services	2,935,640.57				(2,935,640.57)
Operation of Plant	3,441,422.85				(3,441,422.85)
Maintenance of Plant	1,129,057.57				(1,129,057.57)
Administrative Technology Services	821,995.81				(821,995.81)
Community Services	208,136.42	212,893.50			4,757.08
Unallocated Interest on Long-Term Debt	125,986.57			112,074.42	(13,912.15)
Unallocated Depreciation Expense*	1,378,958.49				(1,378,958.49)
Total Governmental Activities	$ 43,233,622.54	$ 1,017,140.10	$ 1,716,314.24	$ 168,293.48	(40,331,874.72)

General Revenues:	
Taxes:	
Property Taxes, Levied for Operational Purposes	5,057,146.41
Property Taxes, Levied for Capital Projects	1,291,697.75
Grants and Contributions Not Restricted to Specific Programs	31,779,859.55
Unrestricted Investment Earnings	70,800.60
Miscellaneous	727,323.86
Total General Revenues	38,926,828.17
Change in Net Position	(1,405,046.55)
Net Position - Beginning	42,355,192.51
Net Position - Ending	$ 40,950,145.96

* 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, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund
ASSETS				
Cash and Cash Equivalents	$ 5,692,148.25	$ 151,981.57	$	$
Investments	12,149.54	213.29		
Due from Other Funds	203,233.11	861.20		
Due from Other Agencies	184,672.93	8,565.52		
Inventories	91,767.52			
Restricted Investments				1,472,684.37
TOTAL ASSETS	$ 6,183,971.35	$ 161,621.58	$ 0.00	$ 1,472,684.37
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	$ 61,145.81	$	$	$
Payroll Deductions and Withholdings	595,309.40	40,622.11		
Accounts Payable	211,343.75	4,953.89		
Due to Other Funds	54,474.03	116,045.58		
Due to Other Agencies	5,933.23			
Deposits Payable	2,869.36			
Total Liabilities	931,075.58	161,621.58		
Fund Balances:				
Nonspendable:				
Inventories	91,767.52			
Restricted for:				
Food Service				
State Required Carryover Programs	84,638.98			
Debt Service				1,472,684.37
Capital Projects				
Total Restricted Fund Balance	84,638.98			1,472,684.37
Assigned for:				
Vocational Programs	498,316.28			
School Accounts	2,150.40			
Total Assigned Fund Balance	500,466.68			
Unassigned Fund Balance	4,576,022.59			
Total Fund Balances	5,252,895.77			1,472,684.37
TOTAL LIABILITIES AND FUND BALANCES	$ 6,183,971.35	$ 161,621.58	$ 0.00	$ 1,472,684.37

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
$ 1,809,612.89	$ 1,075,893.75	$ 8,729,636.46
	6,613.61	18,976.44
	53,613.03	257,707.34
	4,779.21	198,017.66
	52,177.41	143,944.93
		1,472,684.37
$ 1,809,612.89	$ 1,193,077.01	$ 10,820,967.20
$	$	$ 61,145.81
	22,961.95	658,893.46
21,159.47	2,449.84	239,906.95
	87,187.73	257,707.34
		5,933.23
		2,869.36
21,159.47	112,599.52	1,226,456.15
	52,177.41	143,944.93
	693,456.32	693,456.32
		84,638.98
	5,246.03	1,477,930.40
1,788,453.42	329,597.73	2,118,051.15
1,788,453.42	1,028,300.08	4,374,076.85
		498,316.28
		2,150.40
		500,466.68
		4,576,022.59
1,788,453.42	1,080,477.49	9,594,511.05
$ 1,809,612.89	$ 1,193,077.01	$ 10,820,967.20

BAKER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds		$ 9,594,511.05
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.		42,019,605.94
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 fund are included in governmental activities in the statement of net position.		355,626.44
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ 190,000.00	
Certificates of Participation Payable	5,990,019.97	
Compensated Absences Payable	3,405,477.50	
Other Postemployment Benefits Payable	1,434,100.00	(11,019,597.47)
Net Position - Governmental Activities		$ 40,950,145.96

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, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund
Revenues				
Intergovernmental:				
Federal Direct	$ 50,701.45	$	$	$
Federal Through State and Local	725,150.52	2,382,305.77	2,993.93	
State	28,621,220.17			
Local:				
Property Taxes	5,057,146.41			
Impact Fees				
Charges for Services - Food Service				
Miscellaneous	1,003,577.71			36,210.24
Total Local Revenues	6,060,724.12			36,210.24
Total Revenues	35,457,796.26	2,382,305.77	2,993.93	36,210.24
Expenditures				
Current - Education:				
Instruction	20,639,334.04	1,261,225.80		
Student Personnel Services	1,762,768.93	209,298.27		
Instructional Media Services	639,942.72			
Instruction and Curriculum Development Services	708,130.94	357,997.38		
Instructional Staff Training Services	306,426.10	347,456.14	2,993.93	
Instruction Related Technology	276,166.71			
School Board	388,700.07			
General Administration	279,244.94	106,554.08		
School Administration	2,076,886.77			
Facilities Acquisition and Construction				
Fiscal Services	626,370.97			
Food Services	28,839.44			
Central Services	433,416.18	22,293.34		
Student Transportation Services	2,466,846.61	77,480.76		
Operation of Plant	3,438,563.89			
Maintenance of Plant	1,127,908.94			
Administrative Technology Services	821,540.34			
Community Services	207,892.75			
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	20,575.10			
Debt Service:				
Principal	466,666.67			
Interest and Fiscal Charges	110,480.07			
Total Expenditures	36,826,702.18	2,382,305.77	2,993.93	
Excess (Deficiency) of Revenues Over Expenditures	(1,368,905.92)			36,210.24
Other Financing Sources (Uses)				
Transfers In				164,411.00
Proceeds from Sale of Capital Assets	875.00			
Transfers Out				
Total Other Financing Sources (Uses)	875.00			164,411.00
Net Change in Fund Balances	(1,368,030.92)			200,621.24
Fund Balances, Beginning	6,620,926.69			1,272,063.13
Fund Balances, Ending	$ 5,252,895.77	$ 0.00	$ 0.00	$ 1,472,684.37

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
$	$	$ 50,701.45
	1,687,752.24	4,798,202.46
	194,343.19	28,815,563.36
1,291,697.75		6,348,844.16
	130,171.42	130,171.42
	630,435.21	630,435.21
5,124.08	7,644.83	1,052,556.86
1,296,821.83	768,251.46	8,162,007.65
1,296,821.83	2,650,346.89	41,826,474.92
		21,900,559.84
		1,972,067.20
		639,942.72
		1,066,128.32
		656,876.17
		276,166.71
		388,700.07
		385,799.02
		2,076,886.77
234,458.90	150,995.73	385,454.63
		626,370.97
	2,171,844.86	2,200,684.30
		455,709.52
		2,544,327.37
		3,438,563.89
		1,127,908.94
		821,540.34
		207,892.75
24,998.00		24,998.00
556,043.00	211,008.18	787,626.28
	100,000.00	566,666.67
	15,506.50	125,986.57
815,499.90	2,649,355.27	42,676,857.05
481,321.93	991.62	(850,382.13)
		164,411.00
		875.00
(164,411.00)		(164,411.00)
(164,411.00)		875.00
316,910.93	991.62	(849,507.13)
1,471,542.49	1,079,485.87	10,444,018.18
$ 1,788,453.42	$ 1,080,477.49	$ 9,594,511.05

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, 2014

Net Change in Fund Balances - Governmental Funds		$ (849,507.13)
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.		(954,090.91)
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.		
Bonds Principal Payments	$ 100,000.00	
Certificates of Participation Principal Payments	466,666.67	566,666.67
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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.		(66,620.70)
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.		(158,400.00)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities.		56,905.52
Change in Net Position - Governmental Activities		$ (1,405,046.55)

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, 2014

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 404,132.99
LIABILITIES	
Current Liabilities:	
Estimated Insurance Claims Payable	48,506.55
NET POSITION	
Unrestricted	$ 355,626.44

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 FUND NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	$ 498,398.41
OPERATING EXPENSES	
Insurance Claims	442,718.96
Operating Income	55,679.45
NONOPERATING REVENUES	
Investment Income	1,226.07
Change in Net Position	56,905.52
Total Net Position - Beginning	298,720.92
Total Net Position - Ending	$ 355,626.44

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, 2014

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	$ 498,398.41
Cash Payments for Insurance Claims	(441,017.53)
Net Cash Provided by Operating Activities	57,380.88
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	1,226.07
Net Increase in Cash and Cash Equivalents	58,606.95
Cash and Cash Equivalents, Beginning	345,526.04
Cash and Cash Equivalents, Ending	$ 404,132.99

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	$ 55,679.45
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Estimated Insurance Claims Payable	1,701.43
Net Cash Provided by Operating Activities	$ 57,380.88

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, 2014

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	822,402.00
LIABILITIES		
Accounts Payable	$	1,643.00
Internal Accounts Payable		820,759.00
TOTAL LIABILITIES	$	822,402.00

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

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 unit. 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 student 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 II.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, 2014

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 the internal service fund. Separate financial statements are provided for governmental funds, the 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 fiscal 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 fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the fiscal

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

year 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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 fiscal 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.

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 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 1.84438408 at June 30, 2014. 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 a Federal Home Loan Mortgage Corporation (FHLMC) Discount Note reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories

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 fiscal year, and are adjusted at fiscal year-end to reflect year-end physical inventories.

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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:

Description	Estimated Lives
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. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

7. 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 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.

8. 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, 2014.

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 fiscal 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.

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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.

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 fiscal 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 fiscal 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 fiscal 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 fiscal 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.

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The Board adopted the 2013 tax levy on September 16, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

Millages and taxes levied for the current fiscal 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 for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to 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.

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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 consist of insurance claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. 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 the District. 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 the extent available. Earnings are allocated monthly to each fund balance based on average daily balances.

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 334,513.98
Fund B	2.86 Year Average	13,730.41
Debt Service Accounts	6 Months	5,246.03
United States Instrumentality Obligations:		
FHLMC Discount Note (2)	12-22-14	1,472,684.37
Total Investments, Reporting Entity		$ 1,826,174.79

Notes: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.
(2) This ivestment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZABs) financing arrangement (see note II.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. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. 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

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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, 2014, is estimated at 2.86 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 investment must have a maturity date on or before December 21, 2021. The District's investment in the FHLMC Discount Note 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.

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

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- 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 a FHLMC Discount Note, a government sponsored enterprise of the United States Federal government. This investment is 81 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 II.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	24,998.00		63,424,714.90
Furniture, Fixtures, and Equipment	1,146,757.15	231,583.28	18,902.00	1,359,438.43
Motor Vehicles	5,183,929.58	556,043.00	99,671.72	5,640,300.86
Audio Visual Materials and Computer Software	569,917.60			569,917.60
Total Capital Assets Being Depreciated	73,773,720.09	812,624.28	118,573.72	74,467,770.65
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,620,922.28	70,572.76		2,691,495.04
Buildings and Fixed Equipment	24,658,474.57	1,227,750.71		25,886,225.28
Furniture, Fixtures, and Equipment	1,041,642.98	52,030.62	18,902.00	1,074,771.60
Motor Vehicles	3,245,184.17	387,756.70	99,671.72	3,533,269.15
Audio Visual Materials and Computer Software	507,719.20	28,604.40		536,323.60
Total Accumulated Depreciation	32,073,943.20	1,766,715.19	118,573.72	33,722,084.67
Total Capital Assets Being Depreciated, Net	41,699,776.89	(954,090.91)		40,745,685.98
Governmental Activities Capital Assets, Net	$42,973,696.85	$ (954,090.91)	$ 0.00	$42,019,605.94

Depreciation expense was charged to functions as follows:

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Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 387,756.70
Unallocated	1,378,958.49
Total Depreciation Expense - Governmental Activities	$ 1,766,715.19

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 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

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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 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
FRS, Senior Management Service	3.00	18.31
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled $1,815,493.59, $1,736,066.45, and $2,422,067.38, respectively, which were equal to the required contributions for each fiscal year.

There were 73 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $156,797.56, which was equal to the required contribution for the 2013-14 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, Bureau of Financial Reporting, Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

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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 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 2013-14 fiscal year, 206 retirees and dependents received other postemployment benefits. The District provided required contributions of $345,800 toward the annual OPEB cost, net of retiree contributions totaling $310,839, which represent 1.3 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)	$ 249,900
Amortization of Unfunded Actuarial Accrued Liability	237,100
Interest on Normal Cost and Amortization	9,600
Annual Required Contribution	496,600
Interest on Net OPEB Obligation	51,000
Adjustment to Annual Required Contribution	(43,400)
Annual OPEB Cost (Expense)	504,200
Contribution Toward the OPEB Cost	(345,800)
Change in Net OPEB Obligation	158,400
Net OPEB Obligation, Beginning of Year	1,275,700
Net OPEB Obligation, End of Year	$ 1,434,100

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, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 593,400	67.7%	$1,097,600
2012-13	486,300	63.4%	1,275,700
2013-14	504,200	68.6%	1,434,100

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, 2014, and estimate the District's 2013-14 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 11.5 percent for the 2013-14 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 $48,506.55 is reported in the internal service fund at June 30, 2014, 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
2012-13	$ 48,417.55	$ 466,438.81	$ (468,051.24)	$ 46,805.12
2013-14	46,805.12	442,718.96	(441,017.53)	48,506.55

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, 2014, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2005A	$ 2,799,999.97	3.65	2020	$ 7,000,000
Series 2005-QZAB	3,190,020.00	(1)	2021	3,190,020
Total Certificates of Participation	$ 5,990,019.97			$ 10,190,020

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 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,

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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 prekindergarten through kindergarten educational facility 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:

Fiscal Year Ending June 30	Total	Principal	Interest
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	492,216.67	466,666.67	25,550.00
2020	475,183.34	466,666.62	8,516.72
Total Minimum Lease Payments	$ 3,106,600.02	$ 2,799,999.97	$ 306,600.05

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

2. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	$ 170,000	5	2017
Series 2011A, Refunding	20,000	5	2015
Total Bonds Payable	$ 190,000		

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, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	$ 104,500	$ 95,000	$ 9,500
2016	84,750	80,000	4,750
2017	15,750	15,000	750
Total	$ 205,000	$ 190,000	$ 15,000

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	$ 290,000.00	$	$ 100,000.00	$ 190,000.00	$ 95,000.00
Certificates of Participation Payable	6,456,686.64		466,666.67	5,990,019.97	466,666.67
Compensated Absences Payable	3,338,856.80	418,492.80	351,872.10	3,405,477.50	400,000.00
Other Postemployment Benefits Payable	1,275,700.00	504,200.00	345,800.00	1,434,100.00	
Total Governmental Activities	$ 11,361,243.44	$ 922,692.80	$ 1,264,338.77	$ 11,019,597.47	$ 961,666.67

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

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	$ 203,233.11	$ 54,474.03
Special Revenue - Other	861.20	116,045.58
Nonmajor Governmental	53,613.03	87,187.73
Total	$ 257,707.34	$ 257,707.34

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 fiscal year.

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	$ 22,041,526.00
Categorical Educational Program - Class Size Reduction	5,232,752.00
Voluntary PreKindergarten Program	378,478.21
Technology Transformation Grants for Rural School Districts	181,627.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	168,293.48
Preschool Projects	156,395.65
Adults With Disabilities	137,099.00
Workforce Development Program	132,833.00
Discretionary Lottery Funds	45,828.00
District Bandwidth Support	29,392.00
Food Service Supplement	28,562.00
Miscellaneous	282,777.02
Total	$ 28,815,563.36

Accounting policies relating to certain State revenue sources are described in note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.109	$ 4,339,419.66
Basic Discretionary Local Effort	0.748	635,327.05
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,274,051.57
Total	7.357	$ 6,248,798.28

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. As of June 30, 2014, the Tax Collector has remitted $262,897.60, leaving a balance to be remitted of $1,267,365.36.

BAKER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

K. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund 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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 50,000.00	$ 50,000.00	$ 50,701.45	$ 701.45
Federal Through State and Local	345,000.00	345,000.00	725,150.52	380,150.52
State	28,833,596.29	28,833,596.29	28,621,220.17	(212,376.12)
Local:				
Property Taxes	4,710,000.00	4,710,000.00	5,057,146.41	347,146.41
Miscellaneous	636,000.00	636,000.00	1,003,577.71	367,577.71
Total Local Revenues	5,346,000.00	5,346,000.00	6,060,724.12	714,724.12
Total Revenues	34,574,596.29	34,574,596.29	35,457,796.26	883,199.97
Expenditures				
Current - Education:				
Instruction	21,605,689.80	21,230,689.80	20,639,334.04	591,355.76
Student Personnel Services	1,912,643.00	1,912,643.00	1,762,768.93	149,874.07
Instructional Media Services	671,372.00	721,372.00	639,942.72	81,429.28
Instruction and Curriculum Development Services	662,237.00	737,237.00	708,130.94	29,106.06
Instructional Staff Training Services	251,078.00	326,078.00	306,426.10	19,651.90
Instruction Related Technology	254,400.00	304,400.00	276,166.71	28,233.29
School Board	485,250.00	485,250.00	388,700.07	96,549.93
General Administration	332,515.00	332,515.00	279,244.94	53,270.06
School Administration	2,163,993.00	2,163,993.00	2,076,886.77	87,106.23
Facilities Acquisition and Construction				
Fiscal Services	675,200.00	675,200.00	626,370.97	48,829.03
Food Services	12,230.00	62,230.00	28,839.44	33,390.56
Central Services	521,878.00	521,878.00	433,416.18	88,461.82
Student Transportation Services	2,528,806.00	2,528,806.00	2,466,846.61	61,959.39
Operation of Plant	3,763,904.00	3,563,904.00	3,438,563.89	125,340.11
Maintenance of Plant	1,152,492.00	1,152,492.00	1,127,908.94	24,583.06
Administrative Technology Services	571,200.00	846,200.00	821,540.34	24,659.66
Community Services	265,051.00	265,051.00	207,892.75	57,158.25
Fixed Capital Outlay:				
Other Capital Outlay	28,750.00	28,750.00	20,575.10	8,174.90
Debt Service:				
Principal	466,666.67	466,666.67	466,666.67	
Interest and Fiscal Charges	120,000.00	120,000.00	110,480.07	9,519.93
Total Expenditures	38,445,355.47	38,445,355.47	36,826,702.18	1,618,653.29
Deficiency of Revenues Over Expenditures	(3,870,759.18)	(3,870,759.18)	(1,368,905.92)	2,501,853.26
Other Financing Sources				
Proceeds from Sale of Capital Assets			875.00	875.00
Net Change in Fund Balances	(3,870,759.18)	(3,870,759.18)	(1,368,030.92)	2,502,728.26
Fund Balances, Beginning	6,620,926.69	6,620,926.69	6,620,926.69	
Fund Balances, Ending	$ 2,750,167.51	$ 2,750,167.51	$ 5,252,895.77	$ 2,502,728.26

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 2,891,367.00	$ 3,065,875.84	$ 2,382,305.77	$ (683,570.07)	$ 3,000.00	$ 3,000.00	$ 2,993.93	$ (6.07)
2,891,367.00	3,065,875.84	2,382,305.77	(683,570.07)	3,000.00	3,000.00	2,993.93	(6.07)
1,369,341.00	1,520,088.17	1,261,225.80	258,862.37				
297,225.00	306,617.39	209,298.27	97,319.12				
1,200.00	600.00		600.00				
418,309.00	424,308.80	357,997.38	66,311.42				
610,850.00	570,723.91	347,456.14	223,267.77	3,000.00	3,000.00	2,993.93	6.07
76,190.00	109,483.56	106,554.08	2,929.48				
40,833.00	54,092.00	22,293.34	31,798.66				
77,419.00	79,962.01	77,480.76	2,481.25				
2,891,367.00	3,065,875.84	2,382,305.77	683,570.07	3,000.00	3,000.00	2,993.93	6.07
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(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, 2014

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, student 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 fiscal 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, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	13002	$ 343,157.66
National School Lunch Program	10.555 (2)	13001, 13003	1,344,594.58
Total Child Nutrition Cluster			1,687,752.24
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	140,019.45
Total United States Department of Agriculture			1,827,771.69
United States Department of Labor:			
Indirect:			
First Coast Workforce Development, Inc.:			
WIA Youth Activities	17.259	None	311,479.57
United States Department of Education:			
Direct:			
Teacher Incentive Fund	84.374	N/A	84,165.93
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	958,077.25
Special Education - Preschool Grants	84.173	267	41,242.37
Total Special Education Cluster			999,319.62
Adult Education - Basic Grants to States	84.002	191	133,654.04
Title I Grants to Local Educational Agencies	84.010	212, 228	975,493.36
Career and Technical Education - Basic Grants to States	84.048	161	78,529.92
Improving Teacher Quality State Grants	84.367	224	195,308.83
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RG311	2,993.93
Total Indirect			2,385,299.70
Total United States Department of Education			2,469,465.63
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	50,701.45
Total Expenditures of Federal Awards			$ 4,659,418.34

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 $131,580.32 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, 2014, 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 11, 2015, 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 District'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 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 11, 2015

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001. Our opinion on the major Federal program is not modified with respect to this matter.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001 that we consider to be a significant deficiency.

Management's Response

Management's response to the findings identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 11, 2015

BAKER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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?	Yes
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?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
17.259	WIA Youth Activities
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
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, 2014

ADDITIONAL MATTERS

Finding No. 1: Ad Valorem Tax Levy Proceeds

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; school bus purchases; and enterprise resource software applications that are used to support district-wide administration subject to certain conditions and limitations.

The conditions precedent to the levy of such taxes have been narrowly construed by the courts (e.g., Wilson vs. School Board of Marion County, 424 So.2d 16 [Fla. 5th DCA 1983]), and failure to fully comply with such conditions may serve to invalidate the levies. Among the specific conditions imposed by Section 200.065(10)(a), Florida Statutes, are requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each such tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes.

The District accounts for ad valorem tax levy proceeds and related expenditures in the Capital Projects – Local Capital Improvement (LCI) Fund. For the 2013-14 fiscal year, the District's LCI Fund budget included a beginning fund balance of $1,471,542, projected ad valorem tax levy revenues of $1,206,249, appropriations and transfers out of $2,488,581, and an ending fund balance of $189,210.

Our review of the District's ad valorem tax levy procedures disclosed the following:

- The District published its notice of intent to levy ad valorem taxes for capital outlay millage in accordance with Section 200.065(10)(a), Florida Statutes; however, the advertisement included projects for which funding was not reasonably anticipated and provided for in the supporting budget documentation. For example, the District's advertisements for LCI Funds for the 2013-14 and 2014-15 fiscal years included a project for county-wide new classroom construction; however, the District's supporting budget documentation and Five-Year Facilities Work Plan required by Section 1013.35, Florida Statutes, for the 2013-14 and 2014-15 fiscal years did not contain amounts budgeted or planned for new classroom construction and mainly included projects listed in other sections of the advertisement, such as countywide roof and heating, ventilating, and air conditioning repairs, motor vehicle purchases, new and replacement equipment, and facilities loan and lease payments. In these circumstances, the published notice included projects that District records did not evidence could reasonably be anticipated to be funded from the capital outlay tax levy proceeds. In response to our inquiries, District personnel indicated that additional projects were included in the advertisements to ensure that the tax levy proceeds could be expended on advertised projects without having to publish the amended notice of tax for school capital outlay required by Section 200.065(10)(b), Florida Statutes.

  During the 2013-14 fiscal year, the District did not separately account for the transactions of each fiscal year's ad valorem tax levy, but accounted for all ad valorem tax levy transactions in the LCI Fund. The District also published essentially the same tax levy advertisement for the 2011-12 through 2014-15 fiscal years and, by accounting for these transactions in a single fund without separate accountability, District records did not

clearly identify the revenues generated from each year's tax levy or demonstrate how the District used these levies only for allowable projects as set forth in the respective tax levy advertisement. In response to our inquiries, District personnel indicated that separate accountability for each year's tax levy was not maintained, in part, because the tax levy advertisements and the anticipated uses of the tax levy proceeds were substantially similar from year to year, and ad valorem tax levy proceeds were considered to be used on the first-in/first-out method. While using a first-in/first-out method would provide a correlation of the ad valorem tax levy expenditures and advertisements, and District personnel prepared schedules "after the fact" to show where each year's ad valorem tax levy moneys were expended, because the current and prior year advertisements included projects not reasonably anticipated to be funded, District records did not demonstrate that the actual uses of the proceeds for particular projects were those intended by the Board and expected by taxpayers for each respective fiscal year ad valorem tax levy.

- For the 2013-14 fiscal year, the District had LCI Fund expenditures totaling $1,133,153 and we tested LCI Fund expenditures totaling $979,910 to determine their propriety. Our test disclosed that the District spent ad valorem tax levy proceeds of $245,839 for operating system maintenance and support services provided to the North East Florida Educational Consortium (NEFEC), which was for operating costs of NEFEC's information technology services rather than the purchase or acquisition of ERS applications and, therefore, were unallowable uses of ad valorem tax levy proceeds. In response to our inquiries, District personnel indicated that the payment was inadvertently considered a capital lease payment to NEFEC for the ERS system acquired several years ago; however, the final capital lease payment was made during the 2011-12 fiscal year. The District restored the $245,839 to the LCI Fund in June 2014, subsequent to our inquiries.

Without District records that clearly correlate the respective tax levy proceeds and expenditures to specific projects advertised or readily identify that expenditures of individual millage levy proceeds were limited to advertised projects reasonably anticipated to be funded from respective tax levies, and adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: To enhance the District's accountability and transparency of ad valorem tax levy transactions and to evidence compliance with statutory requirements in relation to these moneys, the District should include only projects reasonably anticipated to be funded in its tax levy advertisements and separately account for these transactions by respective fiscal year tax levy. The District should also enhance controls to ensure that expenditures of ad valorem tax levy proceeds are made only for authorized purposes.

Finding No. 2: Purchasing Procedures

The District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, the Executive Director of Finance and Support Services is responsible for reviewing and approving all purchase orders.

The Superintendent, Board members, and Executive Director of Finance and Support Services were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. While statements of financial interest were filed as required, these statements were not provided to the personnel responsible for procurement decisions for review. Providing for routine review and consideration of required statements of financial interests by the personnel responsible for procurement decisions would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.

Finding No. 3: Health Insurance Plan – Participant Eligibility

The Board's collective bargaining agreements require the District to provide insurance coverage for eligible employees, including: health, dental, hospital indemnity, disability, and vision coverage. The District participates in a group health insurance program to provide coverage for its employees, retirees, former employees, and their eligible dependents, and is self-insured for supplemental dental, hospital indemnity, disability, and vision coverage. For health insurance coverage, the District paid from 49 to 84 percent of the premium for full-time employees, depending on the number and relationship of dependents covered, if any. For the 2013-14 fiscal year, there were 334 employees, retirees, and former employees and 276 dependents participating in the group health insurance program, and employee group health insurance premiums totaled $4 million, including Board contributions of $2.5 million.

District procedures provided that employees complete a benefit enrollment application through an online enrollment system upon being hired, during open enrollment periods, or after a qualifying life event such as marriage, divorce, birth, adoption, loss of coverage, or death. The District's online enrollment process required employees to verify dependent eligibility by inputting dependent social security numbers and dates of birth. However, District personnel indicated that no documentation, such as birth certificates or marriage licenses, was required to be provided. Our test of 5 employees, including 2 new hires during the 2013-14 fiscal year, with a total of 18 dependents (spouses, children, and stepchildren), disclosed that documentation of dependent eligibility was available for only 3 reported dependents. District personnel indicated that with the previous group health insurance provider, employees were required to provide such documentation; however, effective October 1, 2012, the District began using a new group health insurance provider that did not require documentation of dependent eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants.

Subsequent to our inquiries, District personnel indicated that procedures were revised to require documentation of dependent eligibility for new employees and current employees when a qualifying event occurs, and documentation of dependent eligibility will be required for all employees during the next open enrollment period beginning in June 2015.

Recommendation: The District should continue its efforts to verify the eligibility of all dependents covered by the District's health insurance plan.

Finding No. 4: Information Technology – Disaster Recovery Plan

Disaster recovery planning is an element of information technology (IT) controls established to manage the availability of critical data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide a plan for continuing critical operations in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel, critical applications, provide for backups of critical data sets, and a step-by-step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate effective business continuity in the event of an actual disruption of IT operations.

The District participates in NEFEC and obtains certain IT services, such as financial, payroll, student records, and other critical applications. NEFEC developed an IT disaster recovery plan specifying the procedures for providing participating member districts continuity, restoration, and recovery of critical data and systems in the event of a disaster that interrupts critical IT operations. In addition, the District obtains offsite backup for secondary applications not provided by NEFEC through a contracted vendor. However, the District had not established a

comprehensive, written disaster recovery plan, including assigning responsibilities for recovery activities to key employees and backup personnel, prioritizing critical operations and data, and detailing the specific processes and procedures to be followed when NEFEC is inoperable or other events interrupt District operations to affect the recovery and restoration of financial, payroll, student records, and other critical applications.

Without a detailed plan for the District's disaster recovery and annual testing of the plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. Subsequent to our inquiries, District personnel developed a detailed disaster recovery plan in August 2014; however, as of November 2014, the plan had not been tested.

Recommendation: The District should continue its efforts to develop the disaster recovery plan by periodically testing and updating the plan, as necessary.

Finding No. 5: Information Technology - Security Controls - Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to 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 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. A similar finding related to logging and monitoring of system activity was communicated to District management in connection with our report No. 2014-119.

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

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 2014-001:
Federal Agency: United States Department of Labor
Pass-Through Entity: First Coast Workforce Development, Inc.
Program: WIA Youth Activities (CFDA No. 17.259)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Allowable Costs/Cost Principles – Documentation of Time and Effort. United States Office of Management and Budget (OMB) Circular A-87 provides, for charges to Federal awards for salaries and wages, that for employees expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation. These reports must reflect an after the fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory

official having firsthand knowledge of the work performed by the employee. In addition, OMB Circular A-87 provides that budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to Federal awards.

For the 2013-14 fiscal year, the District reported total WIA Youth Activities program expenditures of $311,480, of which salary and benefits totaled $238,846. Our test of documentation to support Federal salary and benefit expenditures for employees paid from the WIA Youth Activities program disclosed that 2 employees' salaries and benefits were budgeted and paid 100 percent from the program, 5 employees' salaries and benefits were budgeted and paid from 5 to 56 percent from the program, and 19 employees' salaries and benefits were paid from 1 to 3.7 percent from the program. Although the employees completed time-study forms for a one-week period that showed the allocation of hours worked in the same percentages as the budget estimates used in the program agreement, periodic certifications were not prepared for employees paid 100 percent from the program and PARs were not prepared showing the actual activities of each employee paid less than 100 percent from the program, contrary to OMB Circular A-87.

Based on our review of District WIA Youth Activities program enrollment and other records, and inquiries of program personnel familiar with the work performed by employees paid from program funds, the employees devoted at least the percentage amount indicated in the program agreement for program activities and, therefore, the District did not overcharge the program. However, absent the required periodic certifications and PARs evidencing actual time devoted to Federal program activities, there is an increased risk that personnel costs may be inappropriately charged to a Federal program.

Recommendation: The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefits charges to the WIA Youth Activities program.

District Contact Person and Title: Ann Watts, Director of Career and Adult Education

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-119, except that finding No. 5 was also noted in prior audit report No. 2014-119 as finding No. 8.

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, 2014

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
2014-119		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 11, 2015

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

Dear Mr. Martin:

The Baker County School District would like to thank you and your staff for the assistance and technical advice during the audit and for pointing out areas our district can improve upon. We are once again pleased that there were no material findings. In response to the "Additional Matters " and the "Federal Awards Finding and Questioned Costs" noted for the fiscal year ending June 30, 2014, we are taking the following corrective actions:

Additional Matters

Finding No. 1: Ad Valorem Tax Levy Proceeds
The District will enhance procedures over the advertising, accountability, and expenditures of ad valorem tax levy proceeds.

Finding No. 2: Purchasing Procedures
The Executive Director for Support Services will review required statements of financial interests for considerations in making procurement decisions.

Finding No. 3: Health Insurance – Participant Eligibility
The District will continue its efforts to verify the eligibility of all dependents covered by the District's health insurance plans.

Finding No. 4: Information Technology – Disaster Recovery Plan
The District has developed and tested its disaster recovery plan.

Finding No. 5: Information Technology – Security Controls – Logging and Monitoring of System Activity
The District has improved IT security controls related to logging and monitoring system activity.

"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

Federal Awards Finding and Questioned Costs

Federal Awards Finding No. 2014-001: Allowable Costs/Cost Principles – Documentation of Time and Effort
The District will enhance its procedures to ensure that required documentation is maintained to support salary and benefits charges to the WIA Youth Activities program. The anticipated corrective action date for this finding is March 1, 2015.

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

Sincerely,

Sherrie Raulerson

Sherrie Raulerson
Superintendent of Schools