

**JACKSON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2014



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Dr. Terry E. Nichols, Vice-Chair to 11-18-13, Chair from 11-19-13	1
Kenneth R. Griffin, Chair to 11-18-13	2
Stacey B. Goodson	3
Chris M. Johnson	4
Charlotte M. Gardner, Vice Chair from 11-19-13	5

Steve R. Benton, Sr., Superintendent

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

The audit team leader was Melissa F. Hall, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. 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.

JACKSON COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

SIGNIFICANT DEFICIENCY

Finding No. 1: Improvements were needed in financial reporting procedures to ensure that account balances and transactions are properly reported on the financial statements.

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. 2: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: District controls over food service collections needed improvement.

Finding No. 4: District records did not evidence that proceeds totaling \$3,243 from the sale of scrap metal were used for authorized public purposes.

Finding No. 5: The District did not timely perform required background screenings for certain contractual personnel.

Finding No. 6: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 7: The Board had not adopted a policy prescribing the minimum insurance coverage requirements for design professionals, and the District had not established procedures to timely review certificates of insurance evidencing that design professionals obtained required insurance.

Finding No. 8: Improvements were needed in controls over the reporting of instructional contact hours for adult education classes to the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note noncompliance and control deficiency findings as summarized below.

Federal Awards Finding No. 2014-001: Deficiencies in determining eligibility and performing verification of free and reduced price meal students resulted in \$12,182 of questioned costs.

Federal Awards Finding No. 2014-002: Deficiencies in identifying students claimed for free and reduced price meals resulted in \$37,471 of questioned costs and \$11,405 of overpayments to a food service management company.

Audit Objectives and Scope

Our audit objectives were to determine whether the Jackson 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. 2014-081.

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.



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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 Jackson 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 23 percent of the assets and 51 percent of the liabilities of the aggregate remaining fund information. Those statements, which were prepared on the cash basis, a special purpose framework, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the school internal funds, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the school internal funds, prior to these conversion adjustments, 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

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 Jackson 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 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jackson 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- As of June 30, 2014, the assets exceed the liabilities by \$76,188,490.03. Of this amount, \$4,304,094.73 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position decreased \$1,035,750.45, which represents a 1 percent decrease from the 2012-13 fiscal year.
- General revenues total \$58,239,458.27, or 93 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,192,313.83, or 7 percent of all revenues.
- Expenses total \$63,467,522.55. Only \$4,192,313.83 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 \$11,330,760.77, which is \$28,927.50 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balance was \$7,786,290.10, or 16 percent of total General Fund revenues.
- Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*, requires the District to disclose a liability at June 30, 2014, which represents its obligation for postemployment benefits for retirees. This is an estimated amount, and there is currently no available budget to fund the liability.

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, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and the liabilities, the net position, 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.

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 – Federal Economic Stimulus Fund, Capital Projects – Capital Outlay and Debt Service Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Fund: The internal service fund is used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for the District's Employee Health Self-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	\$ 15,549,348.37	\$ 15,299,422.36
Capital Assets	73,656,823.36	76,073,166.40
Total Assets	89,206,171.73	91,372,588.76
Long-Term Liabilities	12,014,271.30	12,897,424.63
Other Liabilities	1,003,410.40	1,250,923.65
Total Liabilities	13,017,681.70	14,148,348.28
Net Position:		
Net Investment in Capital Assets	66,661,823.36	67,796,443.67
Restricted	5,222,571.94	5,912,794.61
Unrestricted	4,304,094.73	3,515,002.20
Total Net Position	\$ 76,188,490.03	\$ 77,224,240.48

The largest portion of the District’s net position (87 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment; motor vehicles; and computer software), 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 sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (6 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole, and for its separate governmental activities. Positive balances were similarly reported for the prior fiscal year.

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	\$ 929,866.45	\$ 1,058,205.16
Operating Grants and Contributions	2,971,220.10	2,958,317.58
Capital Grants and Contributions	291,227.28	293,577.09
General Revenues:		
Property Taxes, Levied for Operational Purposes	9,221,042.44	9,347,537.82
Property Taxes, Levied for Capital Projects	568,722.87	363,734.59
Local Sales Taxes	2,185,059.03	2,099,142.60
Grants and Contributions Not Restricted to Specific Programs	44,837,130.04	42,459,987.51
Unrestricted Investment Earnings	23,530.36	47,519.21
Miscellaneous	1,403,973.53	791,999.30
Total Revenues	62,431,772.10	59,420,020.86
Functions/Program Expenses:		
Instruction	32,365,302.78	31,202,633.68
Student Personnel Services	3,144,124.34	3,446,049.60
Instructional Media Services	762,439.97	728,599.57
Instruction and Curriculum Development Services	1,278,185.15	1,468,639.34
Instructional Staff Training Services	355,858.26	397,979.21
Instruction Related Technology	881,395.26	828,818.63
School Board	523,668.24	626,965.82
General Administration	541,804.24	605,435.70
School Administration	3,530,603.69	3,864,923.26
Facilities Acquisition and Construction	324,572.92	419,562.39
Fiscal Services	378,863.11	324,748.84
Food Services	3,617,407.64	3,773,631.86
Central Services	517,759.46	531,353.43
Student Transportation Services	3,639,081.40	3,561,359.13
Operation of Plant	5,599,626.11	5,776,268.44
Maintenance of Plant	1,850,479.31	1,881,268.12
Administrative Technology Services	384,512.64	575,651.50
Community Services	8,546.34	21,971.39
Unallocated Interest on Long-Term Debt	353,032.72	400,914.15
Unallocated Depreciation Expense	3,410,258.97	3,427,448.67
Total Functions/Program Expenses	63,467,522.55	63,864,222.73
Change in Net Position	(1,035,750.45)	(4,444,201.87)
Net Position - Beginning	77,224,240.48	81,668,442.35
Net Position - Ending	\$ 76,188,490.03	\$ 77,224,240.48

The largest revenue source is the State of Florida (62 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.

Grants and contributions not restricted to specific programs revenues increased by \$2,377,142.53, or 6 percent, from the previous fiscal year, primarily due to an increase in FEFP funding allocated for instructional salaries.

Miscellaneous revenue increased by \$611,974.23, or 77 percent, from the previous fiscal year, primarily due to receipt of insurance rebates, additional funds for E-rate, and food service indirect cost.

Classroom instruction and instructional support expenses represent 61 percent of the total governmental expenses in the 2013-14 fiscal year. These expenses increased \$714,585.73, or 2 percent, from the previous fiscal year, due mainly from an increase in instructional salaries.

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 \$345,930.09 during the fiscal year to \$13,368,246.96 at June 30, 2014. Approximately 43 percent of this amount is unassigned fund balance (\$5,789,796.39), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$94,056.02), 2) restricted for particular purposes (\$5,209,277.11), or 3) assigned for particular purposes (\$2,275,117.44).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$5,789,796.39, while the total fund balance is \$11,330,760.77. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 16 percent of the total General Fund revenues, while total fund balance represents 23 percent of total General Fund revenues. Total fund balance increased by \$28,927.50 during the fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of \$6,096,304.99 each, and the funding was mainly used for instruction. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$133,829.59 each, and the funding was mainly used to purchase software to evaluate teachers. Because grant revenues attributed to the grants accounted for in these funds are not recognized until expenditures are incurred, these funds generally do not accumulate a fund balance. Activity in these funds decreased due to a reduction of Federal awards.

The Debt Service – Federal Economic Stimulus Fund has total revenues and expenditures of \$25,987.71 each, and the fund was used to pay the interest on the District's Build America Bonds.

The Capital Projects – Capital Outlay and Debt Service Fund has a fund balance at the end of the current fiscal year of \$437,532.25, which is a decrease of \$13,946.77 from the prior fiscal year. The entire fund balance is encumbered for the renovation of the Sneads High School cafeteria.

The Capital Projects – Other Fund accounts for funds generated through the District’s local sales tax levy. At the end of the current fiscal year the total restricted fund balance is \$852,958.28, which is a decrease of \$513,821.25 from the prior fiscal year. This decrease is due in part to funding several Districtwide remodeling and renovation projects. The entire fund balance is encumbered for specific projects.

Proprietary Fund

The District’s proprietary fund statements provide the same type of information reported in the government-wide financial statements, but in more detail. The Internal Service Fund was established in January 2013 to account for the District’s Employee Health Self-Insurance Program and has an unrestricted net position of \$1,177,691.01 at June 30, 2014 which is an increase of \$843,369.35 primarily due to the 2013-14 fiscal year being the first full year of operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$501,226.59, or 1 percent. At the same time, final budgeted appropriations are more than the original budgeted amounts by \$589,781.59. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues and expenditures are in line with the final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$5,899.87.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2014, is \$73,656,823.36 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials; and computer software. There was no significant change in capital assets (prior to accumulated depreciation) compared to the prior fiscal year.

Major capital asset events during the current fiscal year included the reroofing at Riverside Elementary School.

Additional information on the District’s capital assets can be found in notes I.F.4, II.C, and II.F to the financial statements.

Long-Term Debt

At June 30, 2014, the District has bonds payable of \$6,995,000. This total includes the following balances:

- \$4,635,000 in District Revenue and Refunding Bonds, Series 2003, to provide for capital construction projects;
- \$880,000 for debt issued on behalf of the District by the State Board of Education and administered by the State Board of Administration; and
- \$1,480,000 in Sales Tax Revenue Bonds, Series 2010 (Build America Bonds). Under the Federal Build America Bonds program, a portion of the amount of each interest payment (35 percent) is credited to the issuer from the United States Treasury upon proper application. These bonds were issued to provide for the heating, ventilation, and air-conditioning replacement/lighting retrofit project at various locations.

Additional information on the District’s long-term debt can be found in notes II.H to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson County District School Board'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 Director of Finance, Jackson County District School Board, P.O. Box 5958, Marianna, FL 32447.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 11,668,303.60
Investments	1,559,485.40
Accounts Receivable	116,539.24
Due from Other Agencies	658,145.71
Due from Fiscal Agent	1,409,035.40
Due from Excess Insurer	43,783.00
Inventories	94,056.02
Capital Assets:	
Nondepreciable Capital Assets	1,182,353.31
Depreciable Capital Assets, Net	<u>72,474,470.05</u>
TOTAL ASSETS	<u>89,206,171.73</u>
LIABILITIES	
Payroll Deductions and Withholdings	56,190.98
Accounts Payable	609,339.35
Construction Contracts Payable	54,499.38
Construction Contracts Payable - Retainage	3,033.61
Due to Other Agencies	1,695.00
Deposits Payable	414.33
Advanced Revenue	25,169.75
Estimated Insurance Claims Payable	253,068.00
Long-Term Liabilities:	
Portion Due Within One Year	1,423,421.70
Portion Due After One Year	<u>10,590,849.60</u>
TOTAL LIABILITIES	<u>13,017,681.70</u>
NET POSITION	
Net Investment in Capital Assets	66,661,823.36
Restricted for:	
State Required Carryover Programs	3,463,709.48
Debt Service	279,467.91
Capital Projects	1,292,311.01
Food Service	187,083.54
Unrestricted	<u>4,304,094.73</u>
TOTAL NET POSITION	<u>\$ 76,188,490.03</u>

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

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 32,365,302.78	\$ 194,041.99	\$	\$ (32,171,260.79)
Student Personnel Services	3,144,124.34			(3,144,124.34)
Instructional Media Services	762,439.97			(762,439.97)
Instruction and Curriculum Development Services	1,278,185.15			(1,278,185.15)
Instructional Staff Training Services	355,858.26			(355,858.26)
Instruction Related Technology	881,395.26			(881,395.26)
School Board	523,668.24			(523,668.24)
General Administration	541,804.24			(541,804.24)
School Administration	3,530,603.69			(3,530,603.69)
Facilities Acquisition and Construction	324,572.92		52,342.37	(272,230.55)
Fiscal Services	378,863.11			(378,863.11)
Food Services	3,617,407.64	735,824.46	2,971,220.10	89,636.92
Central Services	517,759.46			(517,759.46)
Student Transportation Services	3,639,081.40			(3,639,081.40)
Operation of Plant	5,599,626.11			(5,599,626.11)
Maintenance of Plant	1,850,479.31			(1,850,479.31)
Administrative Technology Services	384,512.64			(384,512.64)
Community Services	8,546.34			(8,546.34)
Unallocated Interest on Long-Term Debt	353,032.72			(114,147.81)
Unallocated Depreciation Expense*	3,410,258.97			(3,410,258.97)
Total Governmental Activities	\$ 63,467,522.55	\$ 929,866.45	\$ 2,971,220.10	\$ 291,227.28
General Revenues:				
Taxes:				
				9,221,042.44
				568,722.87
				2,185,059.03
				44,837,130.04
				23,530.36
				1,403,973.53
Total General Revenues				58,239,458.27
Change in Net Position				(1,035,750.45)
Net Position - Beginning				77,224,240.48
Net Position - Ending				\$ 76,188,490.03

* 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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**JACKSON 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 - Federal Economic Stimulus Fund
ASSETS				
Cash and Cash Equivalents	\$ 9,406,160.44	\$ 2,000.00	\$ 1,000.00	\$
Investments	1,521,090.79			
Accounts Receivable	73,017.63	16,798.18		
Due from Other Funds	242,762.09			
Due from Other Agencies	601,098.09	39,521.44	4,282.53	
Inventories	80,761.19			
Total Assets	\$ 11,924,890.23	\$ 58,319.62	\$ 5,282.53	\$ 0.00
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 56,190.98	\$	\$	\$
Accounts Payable	79,785.47	1,638.35		
Construction Contracts Payable				
Construction Contracts Payable - Retainage				
Due to Other Funds	454,424.24	56,681.27	5,282.53	
Due to Other Agencies	1,695.00			
Deposits Payable	414.33			
Advanced Revenue	1,619.44			
Total Liabilities	594,129.46	58,319.62	5,282.53	
Fund Balances:				
Nonspendable:				
Inventories	80,761.19			
Restricted for:				
State Required Carryover Programs	3,463,709.48			
Debt Service				
Capital Projects				
Food Service				
Total Restricted Fund Balance	3,463,709.48			
Assigned for:				
Debt Service				
DROP Program	1,266,077.94			
School Budgets	730,415.77			
Total Assigned Fund Balance	1,996,493.71			
Unassigned Fund Balance	5,789,796.39			
Total Fund Balances	11,330,760.77			
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,924,890.23	\$ 58,319.62	\$ 5,282.53	\$ 0.00

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

Capital Projects - Capital Outlay and Debt Service Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 494,433.96	\$ 1,018,455.43	\$ 746,253.77	\$ 11,668,303.60
631.28	12,833.00	24,930.33	1,559,485.40
		155.00	89,970.81
		13,243.65	242,762.09
		13,294.83	658,145.71
			94,056.02
<u>\$ 495,065.24</u>	<u>\$ 1,031,288.43</u>	<u>\$ 797,877.58</u>	<u>\$ 14,312,723.63</u>
\$	\$	\$	\$
		26,186.28	56,190.98
54,499.38			107,610.10
3,033.61			54,499.38
	178,330.15	1,145.33	3,033.61
			695,863.52
			1,695.00
			414.33
		23,550.31	25,169.75
<u>57,532.99</u>	<u>178,330.15</u>	<u>50,881.92</u>	<u>944,476.67</u>
		13,294.83	94,056.02
			3,463,709.48
		279,467.91	279,467.91
437,532.25	852,958.28	1,820.48	1,292,311.01
		173,788.71	173,788.71
<u>437,532.25</u>	<u>852,958.28</u>	<u>455,077.10</u>	<u>5,209,277.11</u>
		278,623.73	278,623.73
			1,266,077.94
			730,415.77
		278,623.73	2,275,117.44
			5,789,796.39
<u>437,532.25</u>	<u>852,958.28</u>	<u>746,995.66</u>	<u>13,368,246.96</u>
<u>\$ 495,065.24</u>	<u>\$ 1,031,288.43</u>	<u>\$ 797,877.58</u>	<u>\$ 14,312,723.63</u>

**JACKSON 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 \$ 13,368,246.96

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. 73,656,823.36

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. 1,177,691.01

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

Bonds Payable	\$ 6,995,000.00	
Compensated Absences Payable	3,586,639.30	
Other Postemployment Benefits Payable	1,432,632.00	<u>(12,014,271.30)</u>

Net Position - Governmental Activities **\$ 76,188,490.03**

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

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**JACKSON 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 - Federal Economic Stimulus Fund
Revenues				
Intergovernmental:				
Federal Direct	\$	\$ 1,712,336.00	\$	\$ 25,983.03
Federal Through State and Local	280,613.10	4,383,968.99	133,829.59	
State	37,933,246.75			
Local:				
Property Taxes	9,221,042.44			
Local Sales Taxes				
Charges for Services - Food Service				
Miscellaneous	1,576,962.52			4.68
Total Local Revenues	<u>10,798,004.96</u>			<u>4.68</u>
Total Revenues	<u>49,011,864.81</u>	<u>6,096,304.99</u>	<u>133,829.59</u>	<u>25,987.71</u>
Expenditures				
Current - Education:				
Instruction	28,343,267.43	4,356,541.18	730.71	
Student Personnel Services	2,972,658.08	205,853.49		
Instructional Media Services	773,280.88			
Instruction and Curriculum Development Services	520,102.44	748,083.57	24,104.97	
Instructional Staff Training Services	74,843.91	237,910.37	41,789.18	
Instruction Related Technology	695,400.02	174,129.21		
School Board	526,249.03			
General Administration	295,600.75	239,411.48	5,575.98	
School Administration	3,469,512.28	2,102.82	60,750.00	
Facilities Acquisition and Construction	296,456.74			
Fiscal Services	386,427.23			
Food Services	3,581.29	21,080.65		
Central Services	505,794.84	20,591.69	878.75	
Student Transportation Services	3,041,343.86	8,400.58		
Operation of Plant	5,537,228.88	70,625.70		
Maintenance of Plant	1,879,229.68	1,164.91		
Administrative Technology Services	383,029.69			
Community Services	7,420.74			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	103,122.02			
Other Capital Outlay	686,530.31	10,409.34		
Debt Service:				
Principal	7,222.73			
Interest and Fiscal Charges	69.27			25,987.71
Total Expenditures	<u>50,508,372.10</u>	<u>6,096,304.99</u>	<u>133,829.59</u>	<u>25,987.71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,496,507.29)</u>			
Other Financing Sources (Uses)				
Transfers In	1,517,136.66			
Insurance Loss Recoveries	8,298.13			
Transfers Out				
Total Other Financing Sources (Uses)	<u>1,525,434.79</u>			
Net Change in Fund Balances	28,927.50			
Fund Balances, Beginning	11,301,833.27			
Fund Balances, Ending	<u>\$ 11,330,760.77</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Capital Outlay and Debt Service Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		2,912,038.10	1,738,319.03
47,994.95		669,566.91	7,710,449.78
			38,650,808.61
		568,722.87	9,789,765.31
	2,185,059.03		2,185,059.03
		735,824.46	735,824.46
576.84	3,840.28	38,430.03	1,619,814.35
<u>576.84</u>	<u>2,188,899.31</u>	<u>1,342,977.36</u>	<u>14,330,463.15</u>
48,571.79	2,188,899.31	4,924,582.37	62,430,040.57
			32,700,539.32
			3,178,511.57
			773,280.88
			1,292,290.98
			354,543.46
			869,529.23
			526,249.03
			540,588.21
			3,532,365.10
	29,234.65		325,691.39
			386,427.23
		3,596,248.12	3,620,910.06
			527,265.28
			3,049,744.44
			5,607,854.58
			1,880,394.59
			383,029.69
			7,420.74
62,356.34	730,459.55		895,937.91
			696,939.65
		1,275,000.00	1,282,222.73
162.22		326,313.52	352,532.72
<u>62,518.56</u>	<u>759,694.20</u>	<u>5,197,561.64</u>	<u>62,784,268.79</u>
<u>(13,946.77)</u>	<u>1,429,205.11</u>	<u>(272,979.27)</u>	<u>(354,228.22)</u>
		994,731.04	2,511,867.70
			8,298.13
	(1,943,026.36)	(568,841.34)	(2,511,867.70)
	(1,943,026.36)	425,889.70	8,298.13
(13,946.77)	(513,821.25)	152,910.43	(345,930.09)
<u>451,479.02</u>	<u>1,366,779.53</u>	<u>594,085.23</u>	<u>13,714,177.05</u>
\$ 437,532.25	\$ 852,958.28	\$ 746,995.66	\$ 13,368,246.96

**JACKSON 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 \$ (345,930.09)

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. (2,409,776.44)

The undepreciated cost of capital assets which are sold or otherwise disposed of is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (6,566.60)

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. 843,369.35

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 long-term debt that was repaid in the current fiscal year.

Capital Lease Payments	\$	6,722.73	
Bond Payments		1,275,000.00	1,281,722.73

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 used in the current fiscal year. (224,497.40)

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. (174,072.00)

Change in Net Position - Governmental Activities **\$ (1,035,750.45)**

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

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2014**

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Accounts Receivable	\$	25,245.62
Due from Other Funds		454,424.24
Due from Fiscal Agent		1,409,035.40
Due from Excess Insurer		43,783.00
		1,932,488.26
TOTAL ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable		501,729.25
Estimated Insurance Claims Payable		253,068.00
		754,797.25
Total Liabilities		
NET POSITION		
Unrestricted	\$	1,177,691.01

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

**JACKSON 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	\$ 5,430,632.13
OPERATING EXPENSES	
Purchased Services	60,258.53
Excess Insurance Premiums	580,828.24
Insurance Claims	3,631,957.12
Service Agent Fees	316,045.07
Total Operating Expenses	4,589,088.96
Operating Income	841,543.17
NONOPERATING REVENUES	
Investment Income	1,826.18
Change in Net Position	843,369.35
Total Net Position - Beginning	334,321.66
Total Net Position - Ending	\$ 1,177,691.01

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

**JACKSON 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 Board Funds and Participants	\$ 4,976,207.89
Cash Payments to Suppliers for Goods and Services	(890,356.11)
Cash Payments for Insurance Claims	(3,827,838.12)
Cash Payments for Other Operating Activities	(259,839.84)
	(1,826.18)
Net Cash Used by Operating Activities	(1,826.18)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	1,826.18
	1,826.18
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning	
Cash and Cash Equivalents, Ending	\$ 0.00

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

Operating Income	\$ 841,543.17
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	(25,245.62)
Due from Excess Insurer	87,135.00
Due from Other Funds	(454,424.24)
Due from Fiscal Agent	(321,729.22)
Accounts Payable	66,775.73
Estimated Insurance Claims Payable	(195,881.00)
	(843,369.35)
Total Adjustments	(843,369.35)
Net Cash Used by Operating Activities	\$ (1,826.18)

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

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2014**

		Agency Funds
ASSETS		
Cash and Cash Equivalents	\$	837,270.68
Accounts Receivable		169.00
		169.00
TOTAL ASSETS	\$	837,439.68
LIABILITIES		
Accounts Payable	\$	16,049.76
Due to Other Funds		1,322.81
Internal Accounts Payable		820,067.11
		820,067.11
Total Liabilities	\$	837,439.68

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

**JACKSON 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 Jackson County School District (District). 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 District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the 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 Jackson 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 Jackson 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 these criteria, no component units are included within the District's reporting entity.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. 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 – Federal Economic Stimulus Fund – to account for interest payments and related interest subsidies for the Build America Bonds.
- Capital Projects – Capital Outlay and Debt Service Fund – to account for the District's allocation of the State of Florida's Capital Outlay and Debt Service Program funds to be used for construction of new schools, including capital equipment and additions to existing schools.
- Capital Projects – Other Fund – to account for the financial resources generated by the local sales tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects and computer hardware and software purchases.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District's Employee Health Self-Insurance Program.
- 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 funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the fiscal 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.

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

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 45 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 45 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

1. Cash and Cash Equivalents

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

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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. These 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 consist of amounts placed with an intergovernmental investment pool and are 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 cost on the first-in, first-out basis, 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 used rather than purchased, except for transportation materials and supplies. Transportation materials and supplies are recorded as expenditures when purchased. However, expenditures are adjusted at June 30 to properly reflect the cost of the inventory in the General Fund for those transportation items on hand as of June 30.

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

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governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750 before April 2014 and those costing more than \$1,000 beginning April 2014. 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

As of June 30, 2014, the reported value of capital assets includes amounts capitalized for improvements to the property acquired under a 50-year operating lease with the Florida Department of Education as follows: buildings, \$926,941.82, and improvements other than buildings, \$64,169.07.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 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.

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.

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

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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 fund 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 approves the assignment of the 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

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2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent 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 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 Jackson County Property Appraiser, and property taxes are collected by the Jackson County Tax Collector.

The Board adopted the 2013 tax levy on September 12, 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

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when taxes are received by the District, except that revenue is accrued for taxes collected by the Jackson County Tax Collector at fiscal year-end but not yet remitted to the District.

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

4. Capital Outlay Surtax

In November 2005, the voters of Jackson County (County) approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2006, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

5. Federal Revenue Sources

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

6. Compensated Absences

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

7. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims, excess coverage premiums, service agent fees, and purchased services. 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.

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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	\$ 1,405,253.37
Fund B	2.86 Year Average	23,492.18
Debt Service Accounts	6 Months	23,057.28
Florida Fixed Income Trust (FIT) - Florida FIT 90	141 Days	1,512,935.94
Total Investments		\$ 2,964,738.77

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investment policy limits the length of investments as follows: (1) investments of current operating funds shall have maturities of no longer than two years, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for the funds and in accordance with debt covenant, but in no event shall exceed five years.

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 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.

As of June 30, 2014, the District has the following interest rate risk by fund:

Investment by Fund	Fair Value	Investment Maturities		
		Six Months or Less	Greater Than Six Months to Two Years	Greater Than Two Years
Major Governmental Funds:				
General	\$ 2,314,782.42	\$ 2,306,627.57	\$	\$ 8,154.85
Capital Projects:				
Capital Outlay and Debt Service	17,461.68	16,830.40		631.28
Other	588,164.51	575,331.51		12,833.00
Nonmajor Governmental Funds	44,330.16	42,457.11		1,873.05
Total Investments	\$ 2,964,738.77	\$ 2,941,246.59	\$ 0.00	\$ 23,492.18

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➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the SBA's Florida PRIME; direct obligations of United States Government agencies; certain Federal Instrumentalities, interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; repurchase agreements secured by the collateral composed of negotiable direct obligations of the United States Government, United States Government agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper of the highest credit rating; certain banker's acceptances; certain highly rated state and local government taxable or tax-exempt debt; shares of open-end, no-load mutual funds registered under the Investment Company Act of 1940, provided that the portfolio invests primarily in short-term government bonds and money market funds operated in accordance with Title 17, Section 270.2a-7, Code of Federal Regulations, and provided the mutual fund is rated AA and the money market is rated AAm or AAm-G or better by Standard & Poor's, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that said funds contain no derivatives. Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval.

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 investments in Florida FIT are unrated.

➤ 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. The District's investment policy requires that securities shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District, should be properly designated as an asset of the District. As of June 30, 2014, all investments are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the District.

All District investments are in compliance with District policy in relation to interest rate risk, credit risk, and custodial credit risk with the exception of Fund B, in which the District is an involuntary participant.

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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	\$ 817,412.42	\$	\$	\$ 817,412.42
Construction in Progress		364,940.89		364,940.89
Total Capital Assets Not Being Depreciated	817,412.42	364,940.89		1,182,353.31
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,612,869.96	29,991.10		3,642,861.06
Buildings and Fixed Equipment	104,128,623.48	380,702.74		104,509,326.22
Furniture, Fixtures, and Equipment	7,245,342.80	240,608.65	677,452.48	6,808,498.97
Motor Vehicles	8,747,170.58	576,549.00	305,746.95	9,017,972.63
Property Under Capital Lease	97,070.00		97,070.00	
Audio Visual Materials and Computer Software	66,882.36 1,258,066.09	3,100.00	407,742.47	66,882.36 853,423.62
Total Capital Assets Being Depreciated	125,156,025.27	1,230,951.49	1,488,011.90	124,898,964.86
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,748,061.31	93,005.80		2,841,067.11
Buildings and Fixed Equipment	33,941,279.34	2,839,033.60		36,780,312.94
Furniture, Fixtures, and Equipment	5,944,600.02	388,717.59	674,050.21	5,659,267.40
Motor Vehicles	5,932,512.34	621,534.40	302,582.62	6,251,464.12
Property Under Capital Lease	48,535.00	48,535.00	97,070.00	
Audio Visual Materials and Computer Software	47,482.75 1,237,800.53	4,763.00 10,079.43	407,742.47	52,245.75 840,137.49
Total Accumulated Depreciation	49,900,271.29	4,005,668.82	1,481,445.30	52,424,494.81
Total Capital Assets Being Depreciated, Net	75,255,753.98	(2,774,717.33)	6,566.60	72,474,470.05
Governmental Activities Capital Assets, Net	\$ 76,073,166.40	\$ (2,409,776.44)	\$ 6,566.60	\$ 73,656,823.36

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 595,409.85
Unallocated	3,410,258.97
Total Depreciation Expense - Governmental Activities	\$ 4,005,668.82

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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 members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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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 \$2,544,253.57, \$2,617,055.61, and \$3,404,942.15, respectively, which were equal to the required contributions for each fiscal year.

There were 83 District participants in the Investment Plan during the 2013-14 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$265,347.71, 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).

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 and prescription drug 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)

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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. The District does not offer any explicit subsidies for retiree coverage. 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 through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual 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, 114 retirees received other postemployment benefits. The District’s contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$430,004. The OPEB Plan members receiving benefits contributed \$721,398.71, through their required contributions ranging from \$466 to \$587 per month for retiree-only coverage and from \$854 to \$1,077 for retiree and spouse coverage, depending on the health plan selected.

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:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 307,660
Amortization of Unfunded Actuarial Accrued Liability	<u>299,010</u>
Annual Required Contribution	606,670
Interest on Net OPEB Obligation	45,812
Adjustment to Annual Required Contribution	<u>(48,406)</u>
Annual OPEB Cost (Expense)	604,076
Contribution Toward the OPEB Cost	<u>(430,004)</u>
Change in Net OPEB Obligation	174,072
Net OPEB Obligation, Beginning of Year	<u>1,258,560</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,432,632</u></u>

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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	\$ 712,295	57.88%	\$ 1,118,294
2012-13	576,596	75.67%	1,258,560
2013-14	604,076	71.18%	1,432,632

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$7,368,309, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,368,309 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,047,280, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.97 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 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 October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the District’s 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.64 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 3.64 percent per year, projected salary increases of 4 percent to 8.375 percent, and an annual healthcare cost trend rate of 5 percent beginning January 1, 2013, increasing to 8 percent on January 1, 2014, and reduced to an ultimate rate of 5.43 percent after 10 years. The investment rate of return and payroll salary increase rate include a general price inflation of 3 percent. The unfunded actuarial

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

accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2014, was 24 years.

F. Construction and Other Significant Commitments

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current fiscal year are carried forward and the next fiscal year's appropriations are likewise encumbered. The following is a schedule of encumbrances at June 30, 2014:

Major Funds		
Capital Projects - Capital Outlay and Debt Service	Capital Projects - Other	Total Governmental Funds
\$ 485,532.25	\$ 903,692.53	\$ 1,389,224.78

At June 30, 2014, the encumbrances for the Capital Projects – Capital Outlay and Debt Service and Capital Projects – Other exceeded the total fund balance by \$48,000 and \$50,734.25, respectively. These encumbrances are expected to be honored using the resources received in the subsequent fiscal year. If, restricted capital outlay funds are insufficient, unrestricted General Fund resources will be used to honor these encumbrances.

Construction Contracts. Encumbrances include the following major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Sneads High School Food Service Cafeteria Additions and Renovations:			
General Contractor	\$ 837,021.85	\$ 52,357.99	\$ 784,663.86
Architect	22,867.17	5,175.50	17,691.67
Graceville High School Parking Lot Refurbishing:			
General Contractor	54,171.00		54,171.00
Architect	4,198.25	1,500.00	2,698.25
Marianna K-8 New Facility Drawings:			
Architect	830,000.00	300,000.00	530,000.00
Total	\$ 1,748,258.27	\$ 359,033.49	\$ 1,389,224.78

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

G. 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 Jackson County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

The District also participates in an employee group health insurance program administered through the Consortium. Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

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

A liability in the amount of \$253,068 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2014. The actuarial basis used for estimating the liability for unpaid claims of the District's health plan was a combination of the development method and the claim projection method. Under the development method, the historical claim data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was used to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2014. The claim projection method used historical claim experience to estimate the ultimate level of incurred claims in a specific incurral month. This incurred claim estimate was utilized to estimate a claims reserve. The claims development method was used to estimate the incurred but unpaid claims liability for all incurral months prior to May 2014. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2014 and June 2014. However to be conservative, a 10 percent increase to the incurred but not paid (IBNP) reserve amount was added to provide a margin for experience less favorable than expected. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNP reserves. In this instance, the effect is not significant and adds a slight amount of conservatism.

Because of the relatively short payment pattern of the claims, there was no discounting for present value other than that inherent in the claims data.

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2012-13	\$	\$ 2,044,201.01	\$ (1,595,252.01)	\$ 448,949.00
2013-14	448,949.00	3,631,957.12	(3,827,838.12)	253,068.00

H. Long-Term Liabilities

1. 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 2005B, Refunding	\$ 820,000	5.0	2018
Series 2009A, Refunding	60,000	5.0	2019
District Revenue and Refunding Bonds:			
Series 2003	4,635,000	3.75 - 4.75	2033
Sales Tax Bonds:			
Series 2010 (1)	1,480,000	3.69	2015
Total Bonds Payable	\$ 6,995,000		

Note: (1) Build America Bonds - Stated interest rate is 3.69 percent. The effective interest rate is 2.398 percent, which is net of the direct subsidy payments.

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

➤ State School Bonds

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

➤ District Revenue and Refunding Bonds

These bonds are generally referred to as Capital Improvement Revenue and Refunding Bonds, Series 2003 and are authorized by Chapter 73-498, Special Acts of 1973, as amended by Chapter 74-501, Special Acts of 1974, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Jackson County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2013)). The District has pledged as sole security for the bonds, the entire annual

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

distribution of pari-mutuel tax proceeds of \$371,500, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2033. Approximately 98 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The Series 2003 bonds, totaling \$6 million, were issued to provide funds, together with other available funds of the Board, sufficient to refund the District's outstanding Refunding Revenue Bonds, Series 1987, and Series 1994; finance the costs of acquisition, construction, and installation of, and renovation to, certain capital improvements and educational facilities within the District, and pay costs associated with the issuance of the bonds.

➤ Sales Tax Revenue Bonds (Build America Bonds)

These bonds are issued pursuant to and under the authority of the Constitution and the laws of the State of Florida, Chapters 1000 through 1013, Florida Statutes, Section 212.055, Florida Statutes, and other applicable provisions of law, and Resolution No. 02-16-10-01 passed and adopted by the Board as the governing body of the District on February 16, 2010. The District issued the bonds in the amount of \$5,050,000, to provide for the deposit of moneys to various funds and accounts established pursuant to the resolution to pay for the acquisition, construction, and improvements to various heating, ventilation, and air-conditioning and lighting upgrades throughout the District and to pay the costs of issuing the bonds. The District has pledged, as sole security for the bonds, all amounts collected from the half-cent local option sales tax which became effective January 1, 2006, and will expire on December 31, 2015. The pledged revenue is committed until final maturity of the debt on September 1, 2015. Pursuant to the bond resolution, no reserve account is required. Instead, the District will transfer pledged funds to a debt service fund to provide payment of debt service on the bonds.

The District has elected to treat the bonds as Build America Bonds within the meaning of Section 54AA(d) of the Internal Revenue Code of 1986, as amended. Consequently, the District is eligible to receive refundable tax credits (interest subsidy payments) from the United States Treasury pursuant to the provisions of Section 6431 of the Internal Revenue Code. The interest subsidy payments are equal to 35 percent of each semiannual interest payment made according to the debt service schedule.

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2015	\$ 239,000.00	\$ 195,000.00	\$ 44,000.00
2016	244,250.00	210,000.00	34,250.00
2017	248,750.00	225,000.00	23,750.00
2018	247,500.00	235,000.00	12,500.00
2019	15,750.00	15,000.00	750.00
Total State School Bonds	995,250.00	880,000.00	115,250.00
District Revenue and Refunding Bonds:			
2015	360,008.76	150,000.00	210,008.76
2016	359,193.13	155,000.00	204,193.13
2017	357,990.00	160,000.00	197,990.00
2018	356,407.50	165,000.00	191,407.50
2019	359,350.00	175,000.00	184,350.00
2020-2024	1,792,375.00	1,000,000.00	792,375.00
2025-2029	1,783,318.75	1,255,000.00	528,318.75
2030-2034	1,769,156.25	1,575,000.00	194,156.25
Total District Revenue and Refunding Bonds	7,137,799.39	4,635,000.00	2,502,799.39
Sales Tax Revenue Bonds:			
2015	1,025,663.75	980,000.00	45,663.75
2016	509,225.00	500,000.00	9,225.00
Total Sales Tax Revenue Bonds	1,534,888.75	1,480,000.00	54,888.75
Total	\$ 9,667,938.14	\$ 6,995,000.00	\$ 2,672,938.14

2. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 6,722.73	\$	\$ 6,722.73	\$	\$
Bonds Payable	8,270,000.00		1,275,000.00	6,995,000.00	1,325,000.00
Compensated Absences Payable	3,362,141.90	721,603.86	497,106.46	3,586,639.30	98,421.70
Other Postemployment Benefits Payable	1,258,560.00	604,076.00	430,004.00	1,432,632.00	
Total Governmental Activities	\$ 12,897,424.63	\$ 1,325,679.86	\$ 2,208,833.19	\$ 12,014,271.30	\$ 1,423,421.70

**JACKSON 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.

I. 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.

J. 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	\$ 242,762.09	\$ 454,424.24
Special Revenue:		
Other		56,681.27
Federal Economic Stimulus		5,282.53
Capital Projects:		
Other		178,330.15
Nonmajor Governmental		1,145.33
Fiduciary		1,322.81
Internal Service	454,424.24	
Total	\$ 697,186.33	\$ 697,186.33

The above interfund receivables and payables represent amounts due to the General Fund for expenditures paid on behalf of other funds and amounts due to the internal service fund from the General Fund for payment of health insurance premiums. These amounts are expected to be repaid within one year.

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

K. 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:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 28,752,760.00
Categorical Educational Program - Class Size Reduction	6,840,139.00
Adults with Disabilities	1,019,247.00
Voluntary Prekindergarten Program	419,593.40
Workforce Development Program	329,183.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	291,216.89
School Recognition	137,379.00
Discretionary Lottery Funds	60,907.00
Food Service Supplement	59,182.00
Miscellaneous	741,201.32
	<hr/>
Total	<u>\$ 38,650,808.61</u>

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:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.242	\$ 8,311,132.00
Basic Discretionary Local Effort	0.748	1,185,945.54
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	0.370	586,630.46
Total	<u>6.360</u>	<u>\$ 10,083,708.00</u>

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

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,517,136.66	\$
Capital Projects:		
Other		1,943,026.36
Nonmajor Governmental	994,731.04	568,841.34
Total	\$ 2,511,867.70	\$ 2,511,867.70

Transfers from the Capital Projects – Other Fund and nonmajor governmental funds were to reimburse the General Fund for maintenance projects and bus purchases. Transfers to the nonmajor governmental funds were for sales tax revenue bond payments from the Capital Projects – Other Fund.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON 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	\$	\$	\$	\$
Federal Through State and Local	275,000.00	280,613.10	280,613.10	
State	38,072,109.00	37,933,246.33	37,933,246.75	0.42
Local:				
Property Taxes	9,128,443.00	9,221,042.44	9,221,042.44	
Miscellaneous	1,035,000.00	1,576,876.72	1,576,962.52	85.80
Total Local Revenues	10,163,443.00	10,797,919.16	10,798,004.96	85.80
Total Revenues	48,510,552.00	49,011,778.59	49,011,864.81	86.22
Expenditures				
Current - Education:				
Instruction	27,908,677.00	28,348,537.14	28,343,267.43	5,269.71
Student Personnel Services	2,853,805.00	2,972,658.08	2,972,658.08	
Instructional Media Services	727,657.00	773,280.88	773,280.88	
Instruction and Curriculum Development Services	895,404.00	520,102.44	520,102.44	
Instructional Staff Training Services	71,816.00	74,843.91	74,843.91	
Instruction Related Technology	245,000.00	695,604.25	695,400.02	204.23
School Board	557,800.00	526,249.03	526,249.03	
General Administration	306,251.00	295,600.75	295,600.75	
School Administration	3,344,500.00	3,469,512.28	3,469,512.28	
Facilities Acquisition and Construction	557,272.00	296,456.74	296,456.74	
Fiscal Services	342,579.00	386,427.23	386,427.23	
Food Services		3,581.29	3,581.29	
Central Services	725,133.00	505,794.84	505,794.84	
Student Transportation Services	3,554,079.00	3,041,619.86	3,041,343.86	276.00
Operation of Plant	5,221,059.00	5,537,300.43	5,537,228.88	71.55
Maintenance of Plant	1,964,137.00	1,879,229.68	1,879,229.68	
Administrative Technology Services	637,541.00	383,029.69	383,029.69	
Community Services	4,410.00	7,420.74	7,420.74	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		103,122.02	103,122.02	
Other Capital Outlay		686,530.31	686,530.31	
Debt Service:				
Principal	7,222.73	7,222.73	7,222.73	
Interest and Fiscal Charges	69.27	69.27	69.27	
Total Expenditures	49,924,412.00	50,514,193.59	50,508,372.10	5,821.49
Deficiency of Revenues Over Expenditures	(1,413,860.00)	(1,502,415.00)	(1,496,507.29)	5,907.71
Other Financing Sources				
Transfers In	1,413,860.00	1,517,136.66	1,517,136.66	
Insurance Loss Recoveries		8,305.97	8,298.13	(7.84)
Total Other Financing Sources	1,413,860.00	1,525,442.63	1,525,434.79	(7.84)
Net Change in Fund Balances		23,027.63	28,927.50	5,899.87
Fund Balances, Beginning	11,301,833.27	11,301,833.27	11,301,833.27	
Fund Balances, Ending	\$ 11,301,833.27	\$ 11,324,860.90	\$ 11,330,760.77	\$ 5,899.87

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)
\$ 1,697,403.00	\$ 1,712,336.00	\$ 1,712,336.00	\$	\$	\$	\$	\$
4,102,421.00	4,961,080.27	4,383,968.99	(577,111.28)		135,213.51	133,829.59	(1,383.92)
<u>5,799,824.00</u>	<u>6,673,416.27</u>	<u>6,096,304.99</u>	<u>(577,111.28)</u>		<u>135,213.51</u>	<u>133,829.59</u>	<u>(1,383.92)</u>
4,202,918.00	4,687,968.03	4,356,541.18	331,426.85		730.71	730.71	
230,702.00	228,610.36	205,853.49	22,756.87				
710,629.50	880,606.60	748,083.57	132,523.03		24,104.97	24,104.97	
174,644.00	296,088.85	237,910.37	58,178.48		43,116.01	41,789.18	1,326.83
63,000.00	186,044.22	174,129.21	11,915.01				
216,521.50	254,219.70	239,411.48	14,808.22		5,633.07	5,575.98	57.09
83,300.00	2,102.82	2,102.82			60,750.00	60,750.00	
18,500.00	21,080.65	21,080.65					
10,350.00	21,226.68	20,591.69	634.99		878.75	878.75	
13,574.00	13,268.41	8,400.58	4,867.83				
75,675.00	70,625.70	70,625.70					
10.00	1,164.91	1,164.91					
	10,409.34	10,409.34					
<u>5,799,824.00</u>	<u>6,673,416.27</u>	<u>6,096,304.99</u>	<u>577,111.28</u>		<u>135,213.51</u>	<u>133,829.59</u>	<u>1,383.92</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**JACKSON 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]
October 1, 2007	\$ 0	\$ 9,113,684	\$ 9,113,684	0%	\$ 24,260,227	37.57%
October 1, 2010	0	8,882,488	8,882,488	0%	22,718,613	39.10%
October 1, 2012	0	7,368,309	7,368,309	0%	23,047,280	31.97%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

**JACKSON 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 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 October 1, 2012, unfunded actuarial accrued liability of \$7,368,309 was significantly lower than the October 1, 2010, liability of \$8,882,488 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently receiving postemployment health benefits through the District core plan increased from 81 in the October 1, 2010, valuation to 100 in the October 1, 2012, valuation, increasing the cost and liability. Conversely, the number of active employees eligible for future postemployment benefits decreased from 675 in the October 1, 2010, valuation to 609 in the October 1, 2012, valuation, decreasing the cost and liability.
- The total cost of coverage increased from \$599 per employee per month (as expected for year beginning October 1, 2010) to \$624 per employee per month for year beginning October 1, 2012. This is lower than the projected \$709 per employee per month, decreasing the cost and liability.
- Revisions were made in the assumed trend of Medical/Rx cost increases. In the October 1, 2012, valuation, it was assumed the trends costs and premiums would be 8 percent for the year beginning January 1, 2013, reduced to 7.5 percent in the following year with subsequent trend rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. Revisions were made to trend rates for costs and premiums charged to retirees beginning January 1, 2013, to be 5 percent higher for costs and premiums (to reflect actual premium increases) than for the year beginning January 1, 2012. A similar pattern was then followed: 8 percent for costs and premiums for year beginning January 1, 2014, and decreasing by 0.5 percent each subsequent year until reaching the ultimate value of 5 percent, decreasing the cost and liability.
- The District Plan is not projected to be assessed the Excise Tax on High-cost Employer Health Plans until at least 2023. It is estimated that absent any plan changes, this will result in a 0.14 percent increase in the cost of coverage for the plan year 2023, followed by a 0.43 percent increase for the plan year 2024 and all subsequent years, in addition to 5 percent medical inflation assumed for each year for a total increase of 5.43 percent over the previous plan year. This change increased the cost and liability.

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2014**

- Revisions have been made to the assumed rate of coverage acceptance and continuation. In the October 1, 2010, valuation, it was assumed that 40 percent of retiring employees under the age of 65 would elect to continue medical coverage through the District's plan. Additional data collected for the October 1, 2012, valuation, suggests that more retirees have been making that choice in the recent years and, consequently, it is now assumed that 50 percent of employees will elect to keep the coverage upon retirement, increasing the cost and liability. Similarly, revisions were also made to the lapsing rate of retirees attaining age 65 to 85 percent in the October 1, 2012, valuation, compared to 80 percent used in the October 1, 2012, valuation, decreasing the cost and liability. Furthermore, since surviving spouses are no longer eligible to continue coverage under the core plan, this change decreased the cost and liability.
- Revisions were made in the assumption pertaining to the cost of coverage for retirees eligible for Medicare. In the October 1, 2012, valuation, it was assumed that the employer's costs to the Plan for claims incurred by a retiree enrolled in both Parts A and B of Medicare would be 40 percent lower than the cost of the same claim incurred by a retiree who was not eligible for Medicare benefits. This offset is referred to as "Medicare offset," although some of it may be paid by a retiree. The percentage was revised to 45 percent, decreasing the cost and liability.
- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing the cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JACKSON 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	\$ 727,969.66
National School Lunch Program	10.555 (2)	13001, 13003	2,161,426.28
Summer Food Service Program for Children	10.559	323, 325, 13006, 13007	<u>20,657.66</u>
Total United States Department of Agriculture			<u>2,910,053.60</u>
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	1,629,179.81
Special Education - Preschool Grants	84.173	267	46,942.20
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	<u>102,621.58</u>
Total Special Education Cluster			<u>1,778,743.59</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	135,764.99
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	1,766,646.09
Career and Technical Education - Basic Grants to States	84.048	161	129,338.02
Rural Education	84.358	110	125,414.87
Improving Teacher Quality State Grants	84.367	224	379,093.27
ARRA - State Fiscal Stabilization Fund (SFSF) -			
Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RG311, RG411	133,829.59
Washington County District School Board:			
Mathematics and Science Partnerships	84.366	None	<u>85,766.34</u>
Total United States Department of Education			<u>4,534,596.76</u>
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (4)	N/A	<u>1,712,336.00</u>
Total Expenditures of Federal Awards			<u>\$ 9,156,986.36</u>

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

(2) Noncash Assistance - National School Lunch Program. includes \$201,373.71 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education. Total CFDA No. 84.027 expenditures: \$1,731,801.39.

(4) Head Start. Expenditures include \$1,712,336 for grant number/program year 04CH0382/23.



DAVID W. MARTIN, CPA
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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 Jackson 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 23, 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit 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 a 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency.

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 23, 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 Jackson 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 instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2014-001 and 2014-002. Our opinion on each major Federal program is not modified with respect to these matters.

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 certain deficiencies in internal control over compliance as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2014-001 and 2014-002, that we consider to be significant deficiencies.

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 23, 2015

**JACKSON 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?	Yes
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:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**JACKSON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Our review of the District’s 2013-14 fiscal year annual financial report, as submitted to the Florida Department of Education (FDOE) and presented for audit, disclosed that financial reporting procedures could be improved. For example:

- Primarily because of entry errors, several accounts reported on the Government-wide Statement of Net Position were misstated by amounts ranging from \$57,187 to \$1,087,806. Also, the Government-wide Statement of Activities beginning net position was understated by \$382,856.66 and the District’s expenditures and other accounts were overstated by \$382,856.66.
- Because of oversights, District personnel did not properly report beginning net position and did not identify and report all receivable balances for the Internal Service Fund - Employee Group Health Self-Insurance Program. As a result, several accounts were misstated by amounts ranging from \$61,889 to \$523,453.

Reporting errors may cause financial statement users to incorrectly assess the District’s financial position. We extended our audit procedures to determine the adjustments necessary to ensure the District’s financial statements were materially correct, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting. Similar findings were noted in our report Nos. 2013-130 and 2014-081.

Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported.

ADDITIONAL MATTERS

Finding No. 2: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to contribute toward the employee’s health insurance premiums and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District’s health insurance plan at their own expense, but at the rate of current employees. For the 2014 plan year, the District contributed monthly amounts ranging from \$387.23 for single coverage to \$849.68 for two employee family coverage. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the fiscal agent for the self-insurance program. Employees may enroll in the District’s health insurance plan upon employment and during open enrollment periods, and make changes to their coverage outside of enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. For the 2013-14 fiscal year, 593 employees contributed a total of

\$1.5 million and 103 retirees contributed a total of \$720,000 to participate in the District's health insurance plan, and the District contributed \$3 million toward the plan. Also, 223 dependents participated in the plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums and related claims payments were only for eligible employees and retirees. However, upon initial enrollment, the District did not require employees or retirees purchasing health insurance for their dependents to provide documentation, such as birth certificates, evidencing the dependents' eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Although the employees and retirees are required to pay health insurance for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Cash and Collections Revenues - Food Service

During the 2013-14 fiscal year, the District generally accounted for food service collections using a point-of-sale system and reported local food service collections totaling \$735,800 at 15 schools, of which \$45,409 and \$54,597 were collected at Golson Elementary and Riverside Elementary, respectively. Although our review of food service collection controls at these two elementary schools indicated that controls were generally adequate, we noted certain improvements could be made, as follows:

- The unique identification (ID) of system users helps ensure user accountability for system actions. The District's food service management company assigned certain food service managers and cashiers unique user IDs and passwords to identify the person who entered transactions in the point-of-sale system. However, at Golson Elementary and Riverside Elementary, the food service managers logged the cashiers onto the system using the cashier's user ID and password. Also, as certain Riverside Elementary cashiers were not assigned user IDs and passwords, the food service manager logged onto the point-of-sale system using the manager's ID and password to allow the cashiers to enter transactions. In addition, two cashiers at Riverside Elementary made collections and entered transactions in the same point-of-sale system without separately logging on. Sharing knowledge of a user account or the use of one user's account by more than one user, and sharing point-of-sale system cash drawers, limits the ability to fix responsibility should a loss occur.
- The point-of-sale system did not automatically disconnect a logon session following a period of inactivity. Also, during our observation of point-of-sale collections at both schools, the cashiers did not log off the point-of-sale system following breakfast sales. The risk of unauthorized transactions entered through an unattended active system session would be reduced if a period of inactivity caused the logon session to disconnect and cashiers logged off the system at the end of each session.

District personnel indicated that subsequent to our inquiries, corrective action was taken in March 2014 by assigning each user a new unique ID and password. District personnel further indicated that beginning in August 2014, cashiers log off at the end of each session, and are each limited to one point-of-sale cash drawer.

Recommendation: The District should continue its efforts to improve food service controls by limiting each cashier to use of one cash drawer, ensuring point-of-sale system sessions are disconnected after a period of inactivity, and requiring cashiers to log off the system at the end of each session.

Finding No. 4: Maintenance Department – Scrap Metal Sales and Uses

State Board of Education (SBE) Rule 6A-1.0143, Florida Administrative Code (FAC), provides for expenditures from auxiliary enterprises and undesignated gifts in accordance with Board policies for hospitality and entertainment purposes that directly benefit the District. Maintenance Department personnel received \$3,713 from District scrap metal sales from January 2014 to September 2014 and District personnel indicated that funds were kept in a secure location at the Department. District records, such as detailed vendor invoices, indicated that the Department generally used these proceeds for hospitality and entertainment purposes as the Department spent \$847 for a retirement party, \$721 for employee meals unrelated to specific events, \$360 for a fish fryer, \$308 for birthday parties, \$150 for an employee child's surgery, \$136 for flowers and food for an employee's family member funeral, and \$422 for other miscellaneous items related to hospitality and entertainment. District personnel indicated that an additional \$299 was spent on food and other miscellaneous items and, in November 2014, Department personnel remitted the remaining \$470 of scrap metal sales to the District office; however, District records were not available to support the \$299 of expenditures.

District personnel indicated that there were no policies related to the sale of scrap metal and, as a result, there were no guidelines as to where the funds should be deposited and how the funds should be spent. According to Attorney General Opinion No. 68-12, the expenditures of public funds for hospitality and entertainment, without specific legal authority, are not proper expenditures. Although SBE Rule 6A-1.0143, FAC, provides authority for certain hospitality and entertainment expenditures, we are unaware of any such specific authority regarding expenditure of District moneys derived from the sale of scrap metal for the above-noted purposes. As of January 16, 2015, the City of Marianna Police Department is continuing an investigation of the District's scrap metal sales and uses.

Recommendation: The District should enhance its procedures to ensure that expenditures are only for authorized public purposes and to properly account for all sources of funds.

Finding No. 5: Background Screenings

Section 1012.55(1), Florida Statutes, requires that each person serving in an instructional capacity, including personnel providing direct instruction to students through a virtual environment or through a blended virtual and physical environment, undergo background verifications in accordance with Section 1012.32, Florida Statutes. Also, Sections 1012.465 and 1012.467, Florida Statutes, provide that instructional and noninstructional contractors who are permitted access on school grounds when students are present or who have direct contact with students must undergo certain background screenings at least every five years. In addition, Section 1012.468, Florida Statutes, provides exceptions to background screenings if the noninstructional contractors are under the direct supervision of District personnel or the contractor has met the screening requirements.

District procedures generally require contractor workers who have access to school grounds to undergo required background screenings and the District issues photo badges for the workers to wear that identify the background screening expiration dates. Our test of 22 contractor workers (5 who worked for a virtual instruction contractor and 17 who worked for noninstructional contractors providing services such as construction, healthcare services, and food services) who were not under the direct supervision of District personnel disclosed no evidence of background screenings for 14 contractor workers (5 virtual instructional workers, 8 construction workers, and a healthcare worker). District personnel indicated that the virtual school provider informed the District that all assigned employees had the required background screenings, but no records were obtained to confirm the screenings. Also,

the District did not initially obtain a list of construction workers to ensure all construction workers assigned to District projects had the required background screenings. In addition, District personnel indicated that they relied on the health department to ensure that the required background screening was performed for the healthcare worker. Subsequent to our inquiry in April and May 2014, District personnel obtained and reviewed the required background screenings for the 5 virtual instructional workers and 6 construction workers, but did not complete required screenings for 2 construction workers and the healthcare worker.

Without documented evidence of the required background screening of contractors, there is an increased risk that workers with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should enhance its procedures to ensure that required background screenings are timely performed for all contractors.

Finding No. 6: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, at the beginning of each school year, Board policies are presented to principals and directors to inform them of their responsibilities to avoid conflicts of interest.

The Superintendent, Board members, and Director of Finance/Director of Purchasing were required to file statements 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 personnel responsible for procurement decisions for review.

Subsequent to our inquiry in December 2014, the Director of Finance/Director of Purchasing and the Accounts Payable Clerk reviewed the financial disclosure forms and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interests by 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. 7: Design Professionals – Liability Insurance

In January 2014, the Board entered into a contract with two design professionals to prepare architectural plans for a Marianna K-8 School Complex project with estimated construction costs of \$57 million. The contract required one design professional to maintain professional liability insurance of \$500,000 per claim on a claims-made basis and \$500,000 annual aggregate insurance, and the other design professional to maintain \$2,000,000 per claim on a claims-made basis and \$2,000,000 annual aggregate insurance. Although the design professional contract contained insurance requirements, we noted policies and procedures relating to such insurance coverage could be enhanced as follows:

- The Board had not adopted a policy establishing insurance requirements for design professionals, such as architects and engineers, and District records did not evidence the basis for the differing insurance requirements of the two design professionals.

- District records did not evidence that the design professionals had obtained the required professional liability insurance. In response to our inquiries in August 2014 and January 2015, the District obtained the certificates of insurance from the design professionals evidencing the required insurance. Although construction on the project had not begun, our procedures cannot substitute for management's responsibility to confirm that design professionals maintain required insurance coverage.

Without a Board policy addressing the types and amounts of professional liability insurance coverage to be required for design professionals, it was not apparent how District personnel determined the professional insurance that should be provided by the design professionals to protect the District's investment in the construction project. Developing a policy prescribing the types and amounts of insurance coverage for design professionals would help provide guidance to District personnel as to the Board's insurance philosophy and protect the District in the event that deficiencies in work performed by a design professional causes injury to persons or damage to property, or the design professional defaults on contractual obligations.

Recommendation: The Board should adopt a policy establishing liability insurance requirements for design professionals. Also, the District should implement procedures to ensure timely review of certificates of insurance evidencing that design professionals obtained required insurance.

Finding No. 8: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 117 required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE instructional hours reporting procedures. FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

For the 2013-14 fiscal year, the District reported to the FDOE 46,173 instructional contact hours for 176 students enrolled in 448 adult general education classes. We randomly selected a representative sample of 7,829 hours reported for 30 students enrolled in 59 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed 652 net hours under-reported for 23 students in 43 classes primarily because District personnel used the incorrect student entrance and exit dates and did not record classes in the student record system or confirm the accuracy of hours reported to the FDOE. Given the number of errors, the full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. A similar finding was noted in our report No. 2014-081.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general education hours misreported and contact the FDOE for proper resolution.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 2014-001:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Agriculture and Consumer Services

Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$12,182 (CFDA No. 10.553 - \$4,496 and CFDA No. 10.555 - \$7,686)

Eligibility and Special Tests and Provisions - Verification. Title 7, Section 245.3, Code of Federal Regulations (CFR), requires the District to adhere to eligibility criteria for free and reduced price meals and free milk consistent with the United States Department of Agriculture family-size income standards. Title 7, Section 245.6, CFR, requires the District to determine the eligibility of students for free and reduced price meals and retain documentation of that determination for three years. Title 7, Section 245.6(a), CFR, provides that the District must verify the current eligibility of households selected from a sample of applications approved for free and reduced price meals; the sample must generally be drawn from error prone applications defined as those with monthly income within \$100 or annual income within \$1,200 of the applicable income eligibility limit for free or reduced price meals; before performing the verification process, someone other than the individual making the initial eligibility determination must review the application for accuracy; and households selected for verification must provide documentation of income. If the household refuses to provide requested eligibility documentation, the District is required to notify the household that the free or reduced price benefits will be terminated, and then terminate the benefits.

The District operated a school food service program at each school that provided meals to participating students, and the District received Federal meal reimbursements totaling \$2.7 million for the 2013-14 fiscal year. To perform the required verifications, District personnel selected 3 percent of error prone applications. To determine whether the District designed and implemented procedures to effectively monitor and verify the eligibility of students receiving free and reduced price meals, we selected and reviewed 65 free and reduced price meal applications, including 25 applications selected by the District for verification, and noted the following:

- Due to non-response to the District's verification request, the District changed the status of 12 applications from free to paid and 12 other applications from reduced price to paid. Subsequent to the verification in December 2013, the District changed the benefit status of 4 of these students from paid to reduced price and the benefit status of 2 of these students from paid to free; however, District records did not evidence the basis for these student status changes. Without such records, the District over-claimed Federal reimbursements associated with meals served to these students, resulting in questioned costs of \$4,946 (CFDA No. 10.553 - \$1,841 and CFDA No. 10.555 - \$3,105).
- For 6 of the 65 applications tested, the District could not locate the applications, and student rosters indicated that the 6 students were 3 free and 3 reduced price meal students. Without evidence that these students were eligible for their meals, the District over-claimed Federal reimbursements associated with meals served to these students, resulting in questioned costs of \$4,656 (CFDA No. 10.553 - \$1,734 and CFDA No. 10.555 - \$2,922).
- District personnel incorrectly calculated the initial family income for 6 students selected by the District for verification, resulting in 4 students receiving free instead of reduced price meals and 2 students receiving reduced price instead of paid meals prior to completion of the verification process. In December 2013, the households of the 6 students did not respond to the District's verification requests and the District terminated the meal benefits of these students; however, before the verification was completed and meal benefits were terminated, the District over-claimed Federal reimbursements associated with meals served to these students, resulting in questioned costs of \$1,309 (CFDA No. 10.553 - \$500 and CFDA No. 10.555 - \$809).

- For 1 of the 25 applications selected by the District for verification, District records did not evidence the other income reported on the application. As such, the District over-claimed Federal reimbursements associated with meals served to students in the household, resulting in questioned costs of \$1,271 (CFDA No. 10.553 - \$421 and CFDA No. 10.555 - \$850).
- For 9 of the applications selected by the District for verification, no one other than the initial approver reviewed the applications for accuracy, contrary to Federal regulations.

District personnel indicated the above exceptions occurred mainly from changes in key management positions and lack of proper training. As the District receives Federal reimbursement for the cost of meals served to students, it is important that the meal status of each student be properly supported by an application that documents independent review for accuracy and accurately determines the family benefit. A similar finding was noted in our report No. 2014-081.

Recommendation: The District should enhance its procedures to ensure independent review of applications for accuracy and maintenance of all applications and records of income verification. The District should also document to the grantor (Florida Department of Agriculture and Consumer Services) the allowability of the \$12,182 of questioned costs or restore this amount to the applicable Child Nutrition Cluster Program.

District Contact Person: Cheryl McDaniel, Deputy Superintendent

Federal Awards Finding No. 2014-002:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Agriculture and Consumer Services

Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$37,471 (CFDA No. 10.553 - \$7,447 and CFDA No. 10.555 - \$30,024)

Reporting. Title 7, Section 210.7 and 220.11, CFR, provides for Federal reimbursement payments to finance school food service operations. Further, Title 7, CFR 210.7(c)(1)iii, requires claims for reimbursement on lunch counts, taken daily at the point of service, which correctly identifies the number of free, reduced priced and paid lunches served to eligible children, and Title 7, Section 220.11(b), CFR requires claims for breakfast reimbursement include sufficient detail to justify the reimbursement.

For the 2013-14 fiscal year, the District prepared monthly claims for Federal reimbursement for breakfast, lunch, and snacks based on meals served and received \$2.7 million in reimbursements. The District used a point-of-sale system to document the meals served and to support the number of meals reported for reimbursement. The District contracted with a food service management company (FSMC) to perform daily operations of the District's food service program for 15 schools and reimbursed the FSMC based on the number of meals served or meal equivalents. The District uses a point-of-sale system to identify students receiving a meal and the time the meal was served. According to District personnel at Golson Elementary School (GES), breakfast is served until 8:00 am and, since tardy students arrive at the school after 8:00 am, such students generally would not receive breakfasts.

We reviewed District records for GES and Riverside Elementary School, comparing lists of absent students to students reported as receiving meals for two days, and noted 51 GES absent students reported as receiving a breakfast meal. We expanded our tests at GES to nine days, comparing a list of absent and tardy students to students reported as receiving breakfast meals, and noted an additional 165 absent students and 107 tardy students reported as receiving breakfast meals. District personnel indicated that these exceptions occurred because, to expedite the serving line, the

lunchroom manager did not enter the specific individual students in the point-of-sale system as they were served, but randomly entered student names into the system as being served.

Upon request for GES for the 2013-14 school year, District personnel performed a comparison of the number of absent students to all meals reported and of the number of tardy students to breakfast meals reported, and identified 4,458 breakfasts, 1,596 lunches, and 60 snacks reported for students who would not have been present to receive these servings. As a result, the District over-claimed Federal reimbursements for breakfasts, lunches, and snacks of \$7,447, \$4,614, and \$48, respectively, or a total of \$12,109 (CFDA No. 10.553 - \$7,447 and CFDA No. 10.555 - \$4,662) in questioned costs, which are subject to disallowance by the grantor. Because the GES lunchroom manager entered student names into the system without correlating the entries to the actual student served, the District may have further over-claimed free and reduced price meals for students who were not eligible for these meals. As such, the full extent of over-claimed meals was not readily available.

Further, the District's contract with the FSMC required the District to pay the FSMC based on a meal or meal equivalent basis (i.e., breakfasts are 0.5 meal equivalents and snacks are 0.25 meal equivalents). Since the District over-claimed meals served because of the deficiencies cited above, the District also over-paid the FSMC for 2,229 breakfast meal equivalents, 1,596 lunch meals served, and 15 snack meal equivalents, resulting in over-payments of \$6,620, \$4,740, and \$45, respectively, or a total of \$11,405, which should be recovered from the FSMC and returned to the respective program. Of the overpayment to the FSMC, \$126 (CFDA No. 10.555) is an additional questioned cost to the District (\$4,740 for lunch paid to the FSMC less \$4,614 over-claimed above), which is subject to disallowance by the grantor.

Activities Allowed/Unallowed. Title 7, Section 210.2, CFR, defines an afterschool care program as a program providing organized child care services to enrolled school-age children after school hours for the purpose of care and supervision of children. The District's approved school lunch application authorized six schools to provide afterschool snacks and the District claimed 44,791 snacks receiving approximately \$42,000. However, District personnel indicated that four schools provided a snack to each Head Start student during school hours, contrary to Federal regulations. Consequently, the District over-claimed 31,545 snacks, resulting in questioned costs of \$25,236 (CFDA No. 10.555), subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure that all students are properly identified, recorded in the point-of-sale system, and reported for Federal reimbursement and snacks are only claimed for locations operating an after school program. The District should also document to the grantor (Florida Department of Agriculture and Consumer Services) the allowability of the \$37,471 of questioned costs or restore this amount to the applicable Child Nutrition Cluster Program. In addition, the District should seek recovery of the \$11,405 over-payment from the FSMC. Further, the District should determine the full extent of over-claimed meals and contact the Florida Department of Agriculture and Consumer Services for proper resolution.

District Contact Person: Cheryl McDaniel, Deputy Superintendent

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-081 except as shown in the following table:

Current Fiscal Year Finding Numbers	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2014-081, Finding No. 6	Audit Report No. 2013-130, Finding No. 1
8	Audit Report No. 2014-081, Finding No. 4	NA
Federal Awards Finding No. 2014-001	Audit Report No. 2014-081, Federal Awards Finding No. 1	NA

NA – Not Applicable (Note: Above chart limits recurring findings to two previous audit reports.)

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*JACKSON 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
2014-081 (1)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) - Eligibility and Special Tests and Provisions - Verification	Improvements were needed in procedures used to perform free and reduced price meal application verifications.	Not corrected.	The District is implementing new procedures for the 2014-15 fiscal year.

**EXHIBIT A
MANAGEMENT'S RESPONSE**

THE SCHOOL BOARD OF JACKSON COUNTY



Steve R. Benton Sr.
Superintendent of Schools

2903 Jefferson Street
P. O. Box 5958
Marianna, Florida 32447
Telephone: 850-482-1200
Fax 850-482-1299

February 23, 2015

Subject: District Response to Preliminary and Tentative Audit Findings for the Year Ended 6/30/14.

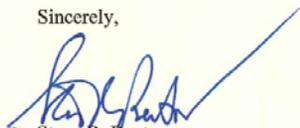
Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

In regard to your letter dated February 3, 2015, please find the enclosed response to the "Preliminary and Tentative Audit Findings" for the Jackson County School District for the fiscal year ended June 30, 2014.

We would like to thank your staff for their usual courtesy and professionalism during the course of the audit. Please call me if you have questions or comments.

Sincerely,


Steve R. Benton
Superintendent

Attachment: Jackson County DSB Response

Terry E. Nichols
District 1

Kenneth R. Griffin
District 2

Stacey B. Goodson
District 3

Chris M. Johnson
District 4

Charlotte M. Gardner
District 5

An Equal Opportunity Employer

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

JACKSON COUNTY SCHOOL BOARD
RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SIGNIFICANT DEFICIENCY:

Finding No. 1: Financial Reporting

The District will strengthen its review and preparation of the annual financial statements in order to ensure accuracy.

ADDITIONAL MATTERS:

Finding No. 2: Health Insurance Plan – Participant Eligibility

The District will enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan during initial enrollment.

Finding No. 3: Cash and Collections Revenues – Food Service

The District took corrective action in March 2014 by assigning new unique ID's and passwords. The District has limited the cashiers to one point-of-sale cash drawer each.

Finding No. 4: Maintenance Department – Scrap Metal Sales and Uses

The District will update its policies and procedures to ensure that revenue for the sale of scrap metal is recorded and used properly.

Finding No. 5: Background Screenings

The District has adequate procedures however; the District will strengthen its communication to ensure that the Certification and Retirement Specialist is provided a list from the appropriate Director of vendors that will need background screenings.

Finding No. 6: Purchasing Procedures

The District has adequate procedures in place to avoid conflicts of interest. However, the Finance Director/Director of Purchasing and Accounts Payable Clerk will review the financial disclosures forms annually in order to further reduce risk of questioned purchases.

Finding No. 7: Design Professionals – Liability Insurance

The District will update/adopt policies and procedures on design professionals – liability insurance requirements and strengthen the timeliness of reviewing the required insurance certificates.

Finding No. 8: Adult General Education Courses

The District continues to review the controls put in place to remedy this issue. Staff have met and discussed the inaccurate reporting. In the future, edits will be reviewed with each reporting period to ensure accuracy.

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

FEDERAL AWARDS:

Finding No. 1: Eligibility and Special Tests and Provisions-Verification: Child Nutrition Cluster

(Questioned Cost: \$12,182)

The District will enhance its verification procedures to ensure independent review of applications. The District will maintain verification records and supporting documents more efficiently. The District will discuss with the Florida Department of Agriculture and Consumer Services the questioned cost and take appropriate actions.

Finding No. 2: Reporting

(Questioned Cost: \$37,471)

Beginning with the 2014-15 fiscal year, the District stopped claiming reimbursement for after-school snacks for non after-school programs. District personnel have communicated the procedures for entering meals served to children as they proceed through the serving line via the point-of-sale system. The District will enhance its monitoring and review of these procedures to ensure accurate reporting. The District will move forward with discussions concerning the potential overpayments to the food service management company as it correlates with the incorrect reporting of meals served, and will discuss with the Florida Department of Agriculture and Consumer Services the questioned cost and take appropriate actions.