REPORT NO. 2015-179
MARCH 2015

JEFFERSON COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Phil Barker, Vice Chair to 11-11-13, Chair from 11-12-13	1
Sandra Saunders, Vice Chair from 11-12-13	2
Shirley A. Washington	3
Larry Halsey	4
Charles Boland, Chair to 11-11-13	5

Al Cooksey, 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 Cheryl B. Buchanan, CPA, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

SIGNIFICANT DEFICIENCY (COMBINATION OF CONTROL DEFICIENCIES IN FINANCIAL STATEMENT FINDING NOS. 1, 2, 3, AND 4)

Finding No. 1: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported and the annual financial report is timely submitted to the Florida Department of Education (FDOE).

Finding No. 2: Improvements were needed in the bank account reconciliation process.

Finding No. 3: During the 2013-14 fiscal year, the District's General Fund total assigned and unassigned fund balance declined 61 percent from $769,872 to $296,527, representing a fund balance reduction of $473,345. Under these circumstances, the District has less resources for emergencies and unforeseen situations than other school districts of comparable size.

Finding No. 4: The District needed to enhance its budgetary process.

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. 5: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 6: Controls over journal entries needed enhancement.

Finding No. 7: The District expended $406,290 of certain State capital outlay appropriations that were subject to reversion to the State.

Finding No. 8: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in $44,255 of questioned costs.

Finding No. 9: Controls over capital assets needed improvement.

Finding No. 10: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 11: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the FDOE.

Finding No. 12: The Board had not adopted a plan for the use of unspent workforce development funds accumulated over several years.

Finding No. 13: Some inappropriate and unnecessary information technology access privileges existed.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Special Education Cluster, School Improvement Grants Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied

with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 2014-001: Controls over the monitoring and reporting of Federal cash balances and expenditures could be enhanced.

Audit Objectives and Scope

Our audit objectives were to determine whether the Jefferson 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. 2014-177.**

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.

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL

STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

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 Jefferson 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 18 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Jefferson County District School Board as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note II to the basic financial statements, the District adjusted beginning net position for a depreciation method accounting change and to correct previously reported capital asset errors. These matters affect the comparability of amounts reported for the 2013-14 fiscal year with amounts reported for the 2012-13 fiscal year. Our opinion is not modified with respect to these matters.

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

David W. Martin, CPA
Tallahassee, Florida
March 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jefferson County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- In total, the District's net position increased by $2,062,621.50 or 6.9 percent, from the 2012-13 fiscal year. This change includes an adjustment to beginning net position of $2,936,397.10.
- At June 30, 2014, the unrestricted deficit net position decreased to $1,144,572.60, compared to a deficit of $561,488.86 at June 30, 2013.
- Capital assets, net of depreciation, increased by $2,785,655.15, which included an increase of $2,936,397.10 for corrections of errors and a change in depreciation calculation from average composite method to straight-line method.
- General revenues total $11,133,883.67, or 90.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $1,149,228.04, or 9.4 percent of all revenues.
- Expenses total $13,156,887.31. Only $1,149,228.04 of these expenses was offset by program specific revenues, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $665,305.48, which is $518,815.40 less than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances was $296,526.53, or 3.6 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

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

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

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 entity-wide 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, Special Revenue – Food Service Fund, Capital Projects – Public Education Capital Outlay Fund, Capital Projects – Local Capital Improvement 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.

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.

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	$ 2,726,622.62	$ 3,304,423.27
Capital Assets	31,176,931.56	28,391,276.41
Total Assets	33,903,554.18	31,695,699.68
Long-Term Liabilities	1,752,821.73	1,807,588.61
Other Liabilities	328,053.71	128,053.83
Total Liabilities	2,080,875.44	1,935,642.44
Net Position:		
Net Investment in Capital Assets	30,917,598.45	27,979,087.51
Restricted	2,049,652.83	2,342,458.59
Unrestricted Deficit	(1,144,572.54)	(561,488.86)
Total Net Position	$ 31,822,678.74	$ 29,760,057.24

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was a result, in part, of accruing $1,167,670.62, in compensated absences payable, and $325,818, in other postemployment benefit obligations. Unrestricted net position would generally be used to meet the District's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	$ 79,664.15	$ 85,011.65
Operating Grants and Contributions	918,286.47	860,660.09
Capital Grants and Contributions	151,277.42	293,329.58
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,719,418.26	3,603,516.56
Property Taxes, Levied for Capital Projects	910,755.68	870,931.20
Grants and Contributions Not Restricted to Specific Programs	6,180,179.85	5,719,408.86
Unrestricted Investment Earnings	10,574.07	2,826.69
Miscellaneous	312,955.81	357,530.03
Total Revenues	12,283,111.71	11,793,214.66
Functions/Program Expenses:		
Instruction	5,387,571.89	5,324,598.07
Student Personnel Services	443,073.88	366,750.83
Instructional Media Services	99,655.00	98,993.48
Instruction and Curriculum Development Services	521,362.51	292,342.41
Instructional Staff Training Services	418,000.53	385,313.80
Instruction Related Technology	174,338.48	178,733.63
School Board	290,710.17	304,154.56
General Administration	632,811.54	529,457.44
School Administration	741,444.16	735,191.39
Facilities Acquisition and Construction	89,265.62	139,631.08
Fiscal Services	235,364.52	242,231.46
Food Services	645,847.33	564,454.96
Central Services	7,414.76	19,767.91
Student Transportation Services	909,732.77	889,359.65
Operation of Plant	872,771.69	1,129,767.73
Maintenance of Plant	813,981.03	374,570.95
Administrative Technology Services	146,362.04	221,015.29
Unallocated Interest on Long-Term Debt	5,183.14	19,711.37
Unallocated Depreciation Expense	721,996.25	810,051.86
Loss on Disposal of Capital Assets		17,938.81
Total Functions/Program Expenses	13,156,887.31	12,644,036.68
Deficiency of Revenues over Expenditures	(873,775.60)	(850,822.02)
Extraordinary Item: Insurance Loss Recoveries		714,036.97
Change in Net Position	(873,775.60)	(136,785.05)
Net Position - Beginning	29,760,057.24	29,896,842.29
Adjustment to Beginning Net Position	2,936,397.10	
Net Position - Beginning, as Restated	32,696,454.34	29,896,842.29
Net Position - Ending	$ 31,822,678.74	$ 29,760,057.24

The largest revenue source is the State of Florida. 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 $460,770.99, or 8.1 percent, primarily due to an increase in FEFP revenues and other miscellaneous revenues from the State.

Capital grants and contributions revenue decreased by $142,052.16, or 48.4 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The decrease in funding is mainly due to continued reductions in State capital outlay funding during the 2013-14 fiscal year.

Property tax revenues increased by $155,726.18, or 3.5 percent, as a result of a slight increase in taxable assessed values, offset by a 1.1 percent decrease in the total millage rate.

Instruction expenses represent 41 percent of total governmental expenses in the 2013-14 fiscal year. Instruction expenses increased by $62,973.82, or 1.2 percent, due to an increase in salaries and related benefits.

The District began closing the schools during the summer, resulting in a $256,996.04, or 22.7 percent decrease in operation of plant costs.

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 $777,800.53 during the fiscal year to $2,398,568.91 at June 30, 2014. Of this amount, 4.2 percent is unassigned fund balance ($101,704.06), 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 ($91,879.45), 2) restricted for particular purposes ($2,011,818.70), or 3) assigned for particular purposes ($193,166.70).

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 $103,359.83, while the total fund balance is $665,305.48. 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 3.6 percent of the total General Fund revenues, while total fund balance represents 8.2 percent of total General Fund revenues.

Total fund balance in the General Fund decreased by $518,815.40 during the fiscal year primarily due to a decrease in insurance loss recoveries of $489,143.69 and an increase in total expenditures of $115,767.80.

The Special Revenue – Other Fund had total revenues and expenditures of $1,445,622.77 each and the funding was mainly used for instruction expenditures and instruction and curriculum development. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this increased primarily due to new grant funding for the Twenty-First Century Community Learning Centers program.

The Special Revenue – Federal Economic Stimulus Fund had total revenues and expenditures of $723,063.13 each and the funding was mainly used for instructional staff training. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund increased due to the use of Federal Stimulus program funding during the final phases of the Race-to-the-Top and ARRA-School Improvement grants.

The Special Revenue – Food Service Fund had an increase in fund balance of $50,894.75, mainly due to a slight increase in Child Nutrition Cluster program funding due to the implementation of the universal free lunch program.

The Capital Projects – Public Education Capital Outlay (PECO) Fund, Capital Projects – Local Capital Improvement (LCI) Fund, and Capital Projects – Other Fund have total fund balances of $1,960.92, $829,499.09, and $396,112.90, respectively. These funds are restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balances, $209,570 has been encumbered for LCI projects. The fund balances in total decreased in the current fiscal year due to renovations at various schools and facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times. While the total expenditures were maintained within the total revised budgeted appropriations, fund balances decreased due to the reduction in insurance proceeds as discussed above. The variances between the final budget and the actual amounts are disclosed in the notes to financial statements.

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 $31,176,931.56 (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; and audio visual materials and computer software. The total increase in capital assets for the current fiscal year was approximately 9.8 percent.

Additional information on the District's capital assets can be found in notes I.G.4 and III.C to the financial statements.

Long-Term Debt

At June 30, 2014, the District has total long-term debt outstanding of $259,333.11, comprised of $45,000 of bonds payable, and $214,333.11 of an installment-purchase payable. During the current fiscal year, retirement of debt was $152,855.79 and the District did not issue any new debt.

Additional information on the District's long-term debt can be found in notes III.H and III.I to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Jefferson County District School Board, 575 South Water Street, Monticello, Florida, 32344.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 2,094,919.06
Investments	18,042.84
Taxes Receivable	211,894.24
Accounts Receivable	5,000.00
Due from Other Agencies	321,568.04
Inventories	75,198.44
Capital Assets:	
Nondepreciable Capital Assets	1,248,257.87
Depreciable Capital Assets, Net	29,928,673.69
TOTAL ASSETS	33,903,554.18
LIABILITIES	
Payroll Deductions and Withholdings	126,572.00
Accounts Payable	184,507.05
Advanced Revenue	16,974.66
Long-Term Liabilities:	
Portion Due Within One Year	197,608.58
Portion Due After One Year	1,555,213.15
TOTAL LIABILITIES	2,080,875.44
NET POSITION	
Net Investment in Capital Assets	30,917,598.45
Restricted for:	
State Required Carryover Programs	319,530.02
Debt Service	1,361.83
Capital Projects	1,384,075.02
Food Service	344,685.96
Unrestricted	(1,144,572.54)
TOTAL NET POSITION	$ 31,822,678.74

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

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental Activities:					
Instruction	$ 5,387,571.89	$ 3,404.00	$	$	$ (5,384,167.89)
Student Personnel Services	443,073.88				(443,073.88)
Instructional Media Services	99,655.00				(99,655.00)
Instruction and Curriculum Development Services	521,362.51				(521,362.51)
Instructional Staff Training Services	418,000.53				(418,000.53)
Instruction Related Technology	174,338.48				(174,338.48)
School Board	290,710.17				(290,710.17)
General Administration	632,811.54				(632,811.54)
School Administration	741,444.16				(741,444.16)
Facilities Acquisition and Construction	89,265.62			150,075.17	60,809.55
Fiscal Services	235,364.52				(235,364.52)
Food Services	645,847.33	34,097.17	667,145.47		55,395.31
Central Services	7,414.76				(7,414.76)
Student Transportation Services	909,732.77	42,162.98	251,141.00		(616,428.79)
Operation of Plant	872,771.69				(872,771.69)
Maintenance of Plant	813,981.03				(813,981.03)
Administrative Technology Services	146,362.04				(146,362.04)
Unallocated Interest on Long-Term Debt	5,183.14			1,202.25	(3,980.89)
Unallocated Depreciation*	721,996.25				(721,996.25)
Total Governmental Activities	$ 13,156,887.31	$ 79,664.15	$ 918,286.47	$ 151,277.42	(12,007,659.27)
	General Revenues:				
	Taxes:				
	Property Taxes, Levied for Operational Purposes				3,719,418.26
	Property Taxes, Levied for Capital Projects				910,755.68
	Grants and Contributions Not Restricted to Specific Programs				6,180,179.85
	Unrestricted Investment Earnings				10,574.07
	Miscellaneous				312,955.81
	Total General Revenues				11,133,883.67
	Change in Net Position				(873,775.60)
	Net Position - Beginning				29,760,057.24
	Adjustment to Beginning Net Position				2,936,397.10
	Net Position - Beginning, as Restated				32,696,454.34
	Net Position - Ending				$ 31,822,678.74

* 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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JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Special Revenue - Food Service Fund
ASSETS				
Cash and Cash Equivalents	$ 472,935.77	$ 83,215.20	$	$ 293,294.75
Investments	10,814.91			1,069.71
Taxes Receivable	170,171.90			
Accounts Receivable	5,000.00			
Due from Other Funds	194,603.23	34,722.45		33,731.82
Due from Other Agencies	172,752.48		138,074.56	
Inventories	38,434.02			36,764.42
Total Assets	$ 1,064,712.31	$ 117,937.65	$ 138,074.56	$ 364,860.70
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	$ 126,572.00	$	$	$
Accounts Payable	66,594.70	14,234.13	83,503.48	20,174.74
Due to Other Funds	206,240.13	86,728.86	54,571.08	
Advanced Revenue		16,974.66		
Total Liabilities	399,406.83	117,937.65	138,074.56	20,174.74
Fund Balances:				
Nonspendable:				
Inventories	38,434.02			36,764.42
Fund B Investments	10,814.91			1,069.71
Total Nonspendable Fund Balance	49,248.93			37,834.13
Restricted for:				
State Required Carryover Programs	319,530.02			
Debt Service				
Capital Projects				
Food Service				306,851.83
Total Restricted Fund Balance	319,530.02			306,851.83
Assigned for:				
Purchase Order Obligations	193,166.70			
Total Assigned Fund Balance	193,166.70			
Unassigned Fund Balance	103,359.83			
Total Fund Balances	665,305.48			344,685.96
TOTAL LIABILITIES AND FUND BALANCES	$ 1,064,712.31	$ 117,937.65	$ 138,074.56	$ 364,860.70

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 245,109.90	$ 824,077.87	$ 131,101.91	$ 45,183.66	$ 2,094,919.06
3,616.69		1,179.00	1,362.53	18,042.84
	41,722.34			211,894.24
				5,000.00
	180,000.00	253,090.99	114,458.37	810,606.86
		10,741.00		321,568.04
				75,198.44
$ 248,726.59	$ 1,045,800.21	$ 396,112.90	$ 161,004.56	$ 3,537,229.48
$	$	$	$	$ 126,572.00
				184,507.05
246,765.67	216,301.12			810,606.86
				16,974.66
246,765.67	216,301.12			1,138,660.57
				75,198.44
3,616.69		1,179.00	0.70	16,681.01
3,616.69		1,179.00	0.70	91,879.45
				319,530.02
			1,361.83	1,361.83
	829,499.09	394,933.90	159,642.03	1,384,075.02
				306,851.83
	829,499.09	394,933.90	161,003.86	2,011,818.70
				193,166.70
				193,166.70
(1,655.77)				101,704.06
1,960.92	829,499.09	396,112.90	161,004.56	2,398,568.91
$ 248,726.59	$ 1,045,800.21	$ 396,112.90	$ 161,004.56	$ 3,537,229.48

JEFFERSON 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		$ 2,398,568.91
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.		31,176,931.56
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:		
Installment-Purchase Payable	$ 214,333.11	
Bonds Payable	45,000.00	
Compensated Absences Payable	1,167,670.62	
Other Postemployment Benefits Payable	325,818.00	(1,752,821.73)
Net Position - Governmental Activities		$ 31,822,678.74

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

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JEFFERSON 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	Special Revenue - Food Service Fund
Revenues				
Intergovernmental:				
Federal Direct	$ 36,454.70	$	$	$
Federal Through State and Local	95,773.22	1,445,622.77	723,063.13	655,314.47
State	4,075,432.48			11,831.00
Local:				
Property Taxes	3,719,418.26			
Charges for Services - Food Service				34,097.17
Miscellaneous	233,037.47			2,956.28
Total Local Revenues	3,952,455.73			37,053.45
Total Revenues	8,160,116.13	1,445,622.77	723,063.13	704,198.92
Expenditures				
Current - Education:				
Instruction	4,368,425.03	766,901.81	197,816.40	
Student Personnel Services	376,709.32	47,335.68	14,164.26	
Instructional Media Services	93,944.31		4,613.03	
Instruction and Curriculum Development Services	100,974.93	292,504.81	123,250.52	
Instructional Staff Training Services	47,981.87	137,995.56	229,236.68	
Instruction Related Technology	101,453.69		71,206.77	
School Board	288,828.09			
General Administration	453,214.68	138,300.44	36,163.47	
School Administration	707,834.50	25,395.32		
Facilities Acquisition and Construction	84,329.62	4,935.00		
Fiscal Services	232,902.04			
Food Services	2,855.99			639,804.17
Central Services	5,377.26	2,020.12		
Student Transportation Services	780,427.62	24,184.60		
Operation of Plant	976,594.29			
Maintenance of Plant	305,247.52		5,400.00	
Administrative Technology Services	118,803.05		26,795.03	
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	69,182.54	6,049.43	14,416.97	13,500.00
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	9,115,086.35	1,445,622.77	723,063.13	653,304.17
Excess (Deficiency) of Revenues Over Expenditures	(954,970.22)			50,894.75
Other Financing Sources (Uses)				
Transfers In	211,261.54			
Insurance Loss Recoveries	224,893.28			
Transfers Out				
Total Other Financing Sources (Uses)	436,154.82			
Net Change in Fund Balances	(518,815.40)			50,894.75
Fund Balances, Beginning	1,184,120.88			293,791.21
Fund Balances, Ending	$ 665,305.48	$ 0.00	$ 0.00	$ 344,685.96

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$	$ 36,454.70
				2,919,773.59
		70,741.00	79,334.17	4,237,338.65
	910,755.68			4,630,173.94
				34,097.17
1,986.75	21,270.86	585.23	43.15	259,879.74
1,986.75	932,026.54	585.23	43.15	4,924,150.85
1,986.75	932,026.54	71,326.23	79,377.32	12,117,717.79
	3,218.13			5,336,361.37
				438,209.26
				98,557.34
				516,730.26
				415,214.11
				172,660.46
				288,828.09
				627,678.59
				733,229.82
				89,264.62
				232,902.04
				642,660.16
				7,397.38
	4,553.75			809,165.97
	74,920.00			1,051,514.29
	502,046.05			812,693.57
				145,598.08
232,022.92	209,660.68	43,606.67	44,377.78	529,668.05
	44,255.00			147,403.94
	102,855.79		50,000.00	152,855.79
	8,781.37		5,183.14	13,964.51
232,022.92	950,290.77	43,606.67	99,560.92	13,262,557.70
(230,036.17)	(18,264.23)	27,719.56	(20,183.60)	(1,144,839.91)
				211,261.54
	142,146.10			367,039.38
	(211,261.54)			(211,261.54)
	(69,115.44)			367,039.38
(230,036.17)	(87,379.67)	27,719.56	(20,183.60)	(777,800.53)
231,997.09	916,878.76	368,393.34	181,188.16	3,176,369.44
$ 1,960.92	$ 829,499.09	$ 396,112.90	$ 161,004.56	$ 2,398,568.91

JEFFERSON 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			$ (777,800.53)
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 in excess of capital outlay expense in the current fiscal year.			(143,628.57)
In the governmental funds, the cost of capital 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.			(7,113.38)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.			
	Installment - Purchase Payable	$ 102,855.79	
	Bonds Payable	50,000.00	152,855.79
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.			(100,166.91)
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 decrease in the other postemployment benefits liability for the current fiscal year.			2,078.00
Change in Net Position - Governmental Activities			$ (873,775.60)

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

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

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	35,734.00
LIABILITIES		
Accounts Payable	$	21,229.00
Internal Accounts Payable		14,505.00
TOTAL LIABILITIES	$	35,734.00

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

JEFFERSON 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 Jefferson 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 Jefferson 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 Jefferson 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. Separate financial statements are provided for governmental 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.

JEFFERSON 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 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).
- Special Revenue – Food Service Fund – to account for the financial resources generated by the Child Nutrition Program and used to operate the District's food service program.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the Legislative appropriations of gross receipts taxes for the District. These funds are to be used for educational capital outlay needs, including new construction; renovation and remodeling projects; maintenance; repairs, and site improvements.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on an installment-purchase of buses.
- Capital Projects – Other Fund – to account for the financial resources generated by various State and local resources, including Classrooms First Program appropriations.

Additionally, the District reports the following fiduciary fund type:

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

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. Further, certain activity occurs during the 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, transfers between the funds included in the governmental activities are eliminated in the preparation of the government-wide financial statements.

JEFFERSON 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 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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 60 days of fiscal year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

F. Budgetary Information

1. **Excess of Expenditures Over Appropriations in Individual Funds.** For the fiscal year ended June 30, 2014, expenditures exceeded appropriations by function (the legal level of budgetary control) for the following individual funds:

Fund/Activity	Expenditures		
	Budget	Actual	Variance (Negative)
General:			
General Administration	$ 453,046.68	$ 453,214.68	$ (168.00)
Facilities Acquisition and Construction	78,765.00	84,329.62	(5,564.62)
Student Transportation Services	776,374.61	780,427.62	(4,053.01)
Operation of Plant	882,041.79	976,594.29	(94,552.50)
Special Revenue - Food Service:			
Food Services	589,965.51	639,804.17	(49,838.66)

The District plans to initiate budget reforms including a hiring freeze, salary reductions, the elimination of various instructional and school administration positions, taking steps to reduce energy costs, and consolidation of bus routes.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and 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. 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.

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

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.

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, 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.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

Description	Estimated Lives
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Long-Term Liabilities

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

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

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 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 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 may include 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 balances 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 may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be

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taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

The District received an allocation under the Classrooms First Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

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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 Jefferson County Property Appraiser, and property taxes are collected by the Jefferson County Tax Collector.

The Board adopted the 2013 tax levy on September 9, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Jefferson 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. **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.

5. **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.

II. ACCOUNTING CHANGE AND PRIOR PERIOD ADJUSTMENT

The District previously calculated depreciation of capital assets on the weighted average composite method and, during the 2013-14 fiscal year, the District changed to the straight-line depreciation method because this method provides a more accurate estimate of depreciation expense. As a result of this accounting change, the District reduced beginning net position and accumulated depreciation balances by $2,367,350.17 each. Also, to correct

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previously reported capital asset errors, the District adjusted beginning net position and beginning capital asset balances by $569,046.93 each. These matters restate the beginning net position balance by $2,936,397.10 and affect the comparability of amounts reported for the 2013-14 fiscal year with amounts reported for the 2012-13 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 158,208.11
Fund B	2.86 Year Average	16,681.01
Debt Service Accounts	6 Months	1,361.83
Total Investments		$ 176,250.95

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 does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

  Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented 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,

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based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

- Credit Risk

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bonded 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.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments (1)	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	$ 992,276.14	$ 52,321.04	$	$	$ 1,044,597.18
Construction in Progress	12,613.00		203,660.69	12,613.00	203,660.69
Total Capital Assets Not Being Depreciated	1,004,889.14	52,321.04	203,660.69	12,613.00	1,248,257.87
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	944,582.81	(8,104.79)	100,220.00		1,036,698.02
Buildings and Fixed Equipment	36,535,876.29	(801,888.75)	225,787.36		35,959,774.90
Furniture, Fixtures, and Equipment	2,283,411.74	990,230.43	87,920.51	160,463.44	3,201,099.24
Motor Vehicles	2,164,988.86	141,502.64	44,255.00	306,926.16	2,043,820.34
Audio Visual Materials and Computer Software	312,421.50	194,986.36	15,228.43	111,976.92	410,659.37
Total Capital Assets Being Depreciated	42,241,281.20	516,725.89	473,411.30	579,366.52	42,652,051.87
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	938,190.89	(464,412.65)	17,145.50		490,923.74
Buildings and Fixed Equipment	11,222,258.00	(4,093,975.25)	428,188.74		7,556,471.49
Furniture, Fixtures, and Equipment	1,132,596.15	1,394,067.63	250,588.93	153,350.06	2,623,902.65
Motor Vehicles	1,318,774.49	561,838.23	86,091.31	306,926.16	1,659,777.87
Audio Visual Materials and Computer Software	243,074.40	235,131.87	26,073.08	111,976.92	392,302.43
Total Accumulated Depreciation	14,854,893.93	(2,367,350.17)	808,087.56	572,253.14	12,723,378.18
Total Capital Assets Being Depreciated, Net	27,386,387.27	2,884,076.06	(334,676.26)	7,113.38	29,928,673.69
Governmental Activities Capital Assets, Net	$ 28,391,276.41	$ 2,936,397.10	$ (131,015.57)	$ 19,726.38	$ 31,176,931.56

Note: (1) Adjustments to the capital asset records are explained in note II, Accounting Change and Prior Period Adjustment.

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 86,091.31
Unallocated	721,996.25
Total Depreciation Expense - Governmental Activities	$ 808,087.56

D. Florida Retirement System

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

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

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

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

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by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 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
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 $397,658.33, $494,170.82, and $655,768.82, respectively, which were equal to the required contributions for each fiscal year.

There were 14 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $43,771.72, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

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E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical 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) 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, 17 retirees received other postemployment benefits. The District provided required contributions of $65,461 toward the annual OPEB cost, net of retiree contributions totaling $93,713, which represents 3.28 percent of covered payroll.

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

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Description	Amount
Normal Cost (service cost for one year)	$ 27,160
Amortization of Unfunded Actuarial Accrued Liability	66,553
Annual Required Contribution	93,713
Interest on Net OPEB Obligation	10,657
Adjustment to Annual Required Contribution	(40,987)
Annual OPEB Cost (Expense)	63,383
Contribution Toward the OPEB Cost	(65,461)
Decrease in Net OPEB Obligation	(2,078)
Net OPEB Obligation, Beginning of Year	327,896
Net OPEB Obligation, End of Year	$ 325,818

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	$ 82,032	94.8%	$ 335,447
2012-13	59,125	112.8%	327,896
2013-14	63,383	103.3%	325,818

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $507,482, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $507,482 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $2,966,564, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.11 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.

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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 to estimate the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.25 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 3.25 percent per year, projected salary increases of 4.0 to 8.25 percent, and an annual healthcare cost trend rate of 5 percent initially beginning January 1, 2013, rising to 8 percent the following year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent beginning January 2020. The investment rate of return and projected salary rates include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 7 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 year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2014:

Major Funds						
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Special Revenue - Food Service	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 193,167	$ 74,045	$ 27,735	$ 3,675	$ 209,570	$ 6,223	$ 514,415

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

Project	Contract Amount	Completed to Date	Balance Committed
Administration Building Renovations	$ 210,074.69	$ 80,712.69	$ 129,362.00
Jefferson County Middle/High School Auditorium Renovations	178,086.03	122,948.00	55,138.03
Total	$ 388,160.72	$ 203,660.69	$ 184,500.03

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 Jefferson County District School Board is a member of the Panhandle Area Educational – 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, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for the 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 the fiscal agent for the Consortium.

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

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

H. Installment-Purchase Payable

The class and amounts of property being acquired under an installment-purchase are as follows:

	Asset Balance
Buses	$ 528,911

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Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2015	$ 111,637.16	$ 105,703.35	$ 5,933.81
2016	111,637.16	108,629.76	3,007.40
Total	$ 223,274.32	$ 214,333.11	$ 8,941.21

The stated interest rate is 2.94 percent.

I. Long-Term Liabilities

1. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rate (Percent)	Annual Maturity To
State School Bonds:			
Series 2011A, Refunding	$ 45,000	5	2015

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.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bond:			
2015	$ 47,250	$ 45,000	$ 2,250

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2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchase Payable	$ 317,188.90	$	$ 102,855.79	$ 214,333.11	$ 105,703.35
Bond Payable	95,000.00		50,000.00	45,000.00	45,000.00
Compensated Absences Payable	1,067,503.71	396,673.69	296,506.78	1,167,670.62	46,905.23
Other Postemployment Benefits Payable	327,896.00	63,383.00	65,461.00	325,818.00	
Total Governmental Activities	$ 1,807,588.61	$ 460,056.69	$ 514,823.57	$ 1,752,821.73	$ 197,608.58

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

J. 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.

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K. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 194,603.23	$ 206,240.13
Special Revenue:		
Other	34,722.45	86,728.86
Federal Economic Stimulus		54,571.08
Food Service	33,731.82	
Capital Projects:		
Public Education Capital Outlay		246,765.67
Local Capital Improvement	180,000.00	216,301.12
Other	253,090.99	
Nonmajor Governmental	114,458.37	
Total	$ 810,606.86	$ 810,606.86

The interfund receivables and payables were primarily for temporary loans to cover negative cash balances. The amounts are expected to be repaid within one year.

L. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	$ 2,430,155.00
Categorical Educational Program - Class Size Reduction	983,494.00
Workforce Development Program	103,206.00
Classrooms First	71,326.23
Voluntary Prekindergarten Program	64,807.84
State Board of Education/Capital Outlay Bond Indebtness Bonds (Debt Service)	53,514.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	25,820.17
Adults with Disabilities	20,830.66
Food Service Supplement	11,831.00
Miscellaneous	472,353.75
Total	$ 4,237,338.65

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

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

2. Property Taxes

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.370	$ 3,376,383.76
Basic Discretionary Local Effort	0.748	470,304.48
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	943,123.96
Total	7.618	$ 4,789,812.20

M. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 211,261.54	$
Capital Projects:		
Local Capital Improvement		211,261.54
Total	$ 211,261.54	$ 211,261.54

The transfer was to reimburse the General Fund for maintenance costs.

IV. SUBSEQUENT EVENT

The District received from the Florida Department of Education (FDOE) a determination letter, dated February 20, 2015, requiring the District, pursuant to Section 216.301(2), Florida Statutes, to revert untimely encumbered amounts totaling $406,290 to the FDOE.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON 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	$ 37,500.00	$ 36,454.70	$ 36,454.70	$
Federal Through State and Local	92,500.00	94,014.93	95,773.22	1,758.29
State	4,253,007.00	3,987,334.78	4,075,432.48	88,097.70
Local:				
Property Taxes	3,566,219.00	3,718,901.89	3,719,418.26	516.37
Charges for Services - Food Services				
Miscellaneous	336,550.00	347,097.27	233,037.47	(114,059.80)
Total Local Revenues	3,902,769.00	4,065,999.16	3,952,455.73	(113,543.43)
Total Revenues	8,285,776.00	8,183,803.57	8,160,116.13	(23,687.44)
Expenditures				
Current - Education:				
Instruction	4,207,658.00	4,396,651.62	4,368,425.03	28,226.59
Student Personnel Services	281,432.00	376,709.32	376,709.32	
Instructional Media Services	103,485.00	93,944.31	93,944.31	
Instruction and Curriculum Development Services	57,374.00	100,974.93	100,974.93	
Instructional Staff Training Services		85,587.12	47,981.87	37,605.25
Instruction Related Technology	190,793.00	101,453.69	101,453.69	
School Board	256,098.00	288,828.09	288,828.09	
General Administration	439,854.00	453,046.68	453,214.68	(168.00)
School Administration	561,756.00	707,834.50	707,834.50	
Facilities Acquisition and Construction		78,765.00	84,329.62	(5,564.62)
Fiscal Services	243,412.00	232,902.04	232,902.04	
Food Services		5,023.49	2,855.99	2,167.50
Central Services		25,314.21	5,377.26	19,936.95
Student Transportation Services	738,887.00	776,374.61	780,427.62	(4,053.01)
Operation of Plant	910,722.00	882,041.79	976,594.29	(94,552.50)
Maintenance of Plant	213,511.00	379,049.65	305,247.52	73,802.13
Administrative Technology Services	172,410.00	120,828.55	118,803.05	2,025.50
Fixed Capital Outlay:				
Other Capital Outlay		69,182.54	69,182.54	
Total Expenditures	8,377,392.00	9,174,512.14	9,115,086.35	59,425.79
Excess (Deficiency) of Revenues Over Expenditures	(91,616.00)	(990,708.57)	(954,970.22)	35,738.35
Other Financing Sources				
Transfers In	200,000.00	200,000.00	211,261.54	11,261.54
Insurance Loss Recoveries		154,392.97	224,893.28	70,500.31
Total Other Financing Sources	200,000.00	354,392.97	436,154.82	81,761.85
Net Change in Fund Balances	108,384.00	(636,315.60)	(518,815.40)	117,500.20
Fund Balances, Beginning	818,151.00		1,184,120.88	1,184,120.88
Fund Balances, Ending	$ 926,535.00	$ (636,315.60)	$ 665,305.48	$ 1,301,621.08

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)
$ 1,322,557.14	$ 1,938,343.42	$ 1,445,622.77	$ (492,720.65)	$ 756,705.81	$ 745,036.00	$ 723,063.13	$ (21,972.87)
1,322,557.14	1,938,343.42	1,445,622.77	(492,720.65)	756,705.81	745,036.00	723,063.13	(21,972.87)
647,491.00	931,468.16	766,901.81	164,566.35	123,884.00	211,804.19	197,816.40	13,987.79
49,975.00	77,295.28	47,335.68	29,959.60		14,164.26	14,164.26	
					4,613.03	4,613.03	
160,074.00	349,791.67	292,504.81	57,286.86	125,258.00	123,250.52	123,250.52	
265,394.00	290,652.98	137,995.56	152,657.42	305,995.00	229,236.68	229,236.68	
				51,477.00	71,206.77	71,206.77	
135,624.00	138,300.44	138,300.44		52,443.00	42,148.55	36,163.47	5,985.08
	25,395.32	25,395.32		24,000.00			
	4,935.00	4,935.00					
20,990.00	27,101.00	2,020.12	25,080.88	3,149.00	2,000.00		2,000.00
47,509.00	87,321.00	24,184.60	63,136.40	6,000.00			
					5,400.00	5,400.00	
				60,000.00	26,795.03	26,795.03	
	6,049.43	6,049.43			14,416.97	14,416.97	
1,327,057.00	1,938,310.28	1,445,622.77	492,687.51	752,206.00	745,036.00	723,063.13	21,972.87
(4,499.86)	33.14		(33.14)	4,499.81			
(4,499.86)	33.14		(33.14)	4,499.81			
$ (4,499.86)	$ 33.14	$ 0.00	$ (33.14)	$ 4,499.81	$ 0.00	$ 0.00	$ 0.00

JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	Special Revenue - Food Service Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$	$	$	$
Federal Through State and Local	544,348.00	594,014.12	655,314.47	61,300.35
State	13,270.00	9,112.00	11,831.00	2,719.00
Local:				
Property Taxes				
Charges for Services - Food Services	30,500.00	34,097.17	34,097.17	
Miscellaneous	1,050.00	2,458.27	2,956.28	498.01
Total Local Revenues	31,550.00	36,555.44	37,053.45	498.01
Total Revenues	589,168.00	639,681.56	704,198.92	64,517.36
Expenditures				
Current - Education:				
Instruction				
Student Personnel Services				
Instructional Media Services				
Instruction and Curriculum Development Services				
Instructional Staff Training Services				
Instruction Related Technology				
School Board				
General Administration				
School Administration				
Facilities Acquisition and Construction				
Fiscal Services				
Food Services	549,240.00	589,965.51	639,804.17	(49,838.66)
Central Services				
Student Transportation Services				
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services				
Fixed Capital Outlay:				
Other Capital Outlay		13,500.00	13,500.00	
Total Expenditures	549,240.00	603,465.51	653,304.17	(49,838.66)
Excess (Deficiency) of Revenues Over Expenditures	39,928.00	36,216.05	50,894.75	14,678.70
Other Financing Sources				
Transfers In				
Insurance Loss Recoveries				
Total Other Financing Sources				
Net Change in Fund Balances	39,928.00	36,216.05	50,894.75	14,678.70
Fund Balances, Beginning	257,342.00	330,007.26	293,791.21	(36,216.05)
Fund Balances, Ending	$ 297,270.00	$ 366,223.31	$ 344,685.96	$ (21,537.35)

JEFFERSON 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	$ 6,062,490	$ 6,062,490	0.0%	$ 4,859,518	124.75%
October 1, 2010	0	693,107	693,107	0.0%	3,306,690	20.96%
October 1, 2012	0	507,482	507,482	0.0%	2,966,564	17.11%

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

JEFFERSON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

I. BUDGETARY BASIS OF ACCOUNTING

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

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

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2012, unfunded actuarial accrued liability of $507,482 was significantly lower than the July 1, 2010, liability of $693,107 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Population Changes: The number of retirees currently receiving postemployment health benefits through the District core plan decreased from 25 in the previous valuation to 17 this year. At the same time, the number of active employees eligible for future postemployment benefits increased from 114 to 121. Combined population changes increased cost and liability.
- Initial Cost of Coverage: The total cost of coverage increased from $496 per employee per month (as expected from the October 1, 2010 valuation) to $516 per employee per month for year beginning October 1, 2012, which is lower than the projected $549 per employee per month. This change decreased cost and liability.
- Medical Trend Assumption: Revisions were made in the assumed trend of medical and prescription cost increases. In our previous valuation, the trends for costs and premiums were assumed to be 8 percent for the year beginning January 1, 2013, with rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. The trends for costs and premiums were revised to 5 percent higher than the previous year then decreased by 0.5 percent each year thereafter to the ultimate value of 5 percent. This change had a modest effect on the cost and liability.
- Reflecting Provisions of the Affordable Care Act: The Plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans as soon as that provision becomes effective. Absent any plan changes, this will result in a 0.39 percent increase on the cost of coverage for the plan year 2035, in addition to a 5 percent medical inflation assumed for that year for a total increase of 5.39 percent. After 2035, an estimated 0.39 percent increase in trend is assumed for all subsequent years, increasing cost and liability.

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

- Discount Rate Assumption: A lower discount rate, from 3.75 percent to 3.25 percent, was used in valuing future cash flows, increasing cost and liability.
- Demographic Assumptions: Certain demographic assumptions were revised to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JEFFERSON 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	$ 168,032.36
National School Lunch Program	10.555 (2)	13001, 13003	465,184.85
Summer Food Service Program for Children	10.559	13006, 13007	22,097.26
Total United States Department of Agriculture			655,314.47
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	371,409.57
Special Education - Preschool Grants	84.173	267	33,075.38
Total Special Education Cluster			404,484.95
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	71,268.78
ARRA - School Improvement Grants, Recovery Act	84.388	126	529,114.29
Total School Improvement Grants Cluster			600,383.07
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	30,741.08
Title I Grants to Local Educational Agencies	84.010	212, 226	539,452.65
Career and Technical Education - Basic Grants to States	84.048	161	32,355.09
Twenty-First Century Community Learning Centers	84.287	244	215,471.60
Rural Education	84.358	110	11,934.89
Improving Teacher Quality State Grants	84.367	224	139,950.60
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211, RG311, RG411, RS611	193,948.84
Total Indirect			2,168,722.77
Total United States Department of Education			2,168,722.77
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	36,454.70
Total Expenditures of Federal Awards			$ 2,860,491.94

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 $39,203.09 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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 Jefferson 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 March 30, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 deficiencies in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1 through 4, that we consider collectively 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
March 30, 2015

AUDITOR GENERAL
STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program

We have audited the Jefferson County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2014.

Other Matters

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

Report on Internal Control Over Compliance

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

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

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

Management's Response

Management's response to the finding 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
March 30, 2015

JEFFERSON 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:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.377 and 84.388	School Improvement Grants Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

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

THE COMBINATION OF CONTROL DEFICIENCIES IN FINANCIAL STATEMENT FINDING NOS. 1 THROUGH 4 REPRESENTS A SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Pursuant to Section 1001.51, Florida Statutes, and State Board of Education (SBE) Rule 6A-1.001, Florida Administrative Code (FAC), the District was required to submit the 2013-14 fiscal year annual financial report (AFR) to the Florida Department of Education (FDOE) by September 11, 2014. However, the District did not submit the completed AFR to FDOE until January 23, 2015, or 134 days late.

Our review of the District's 2013-14 fiscal year AFR, as submitted to the FDOE and presented for audit, disclosed that financial reporting procedures could be improved. For example:

- For the General Fund, the District over-reported accounts receivable and revenues by $96,571 each. These reporting errors occurred because the District did not properly identify year-end accruals, contributing to the decline in the District financial condition, as discussed in Finding No. 3.
- The District over-reported cash in the Local Capital Improvement Fund by $180,000, under-reported cash in the Special Revenue - Other Fund by $60,000, and under-reported cash in the General Fund by $120,000. These reporting errors occurred because the District did not timely reconcile the District's bank accounts to the general ledger as discussed in Finding No. 2.
- For the Special Revenue – Federal Economic Stimulus Fund, the District under-reported due from other agencies by $34,722 because the District did not properly reconcile FDOE records to the District's accounting records as discussed in Federal Awards Finding No. 2014-001.

Reporting errors such as those noted above may cause financial statement users to misunderstand the District's financial and Federal activities and 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. 2013-154 and 2014-177.

Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported and the AFR is timely submitted to the FDOE.

Finding No. 2: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources. At June 30, 2014, the District reported cash and cash equivalents totaling $2.1 million.

The District maintained ten separate bank accounts, and District personnel maintain an electronic file of receipts and disbursements (i.e., cash book) to monitor cash needs and periodically enter transactions into the general ledger. Our review disclosed that the Chief Financial Officer (CFO) was responsible for preparing bank account reconciliations and reconciled the June 2014 bank account balances to the cash book. However, the cash balance at June 30, 2014, in the cash book was approximately $900,000 less than the cash balance per the general ledger, and District records did not evidence the reason for this difference. Also, at the time of our review in February 2015, the cash book had not been reconciled to general ledger balances for the months of July through December 2014. As such, District personnel did not timely reconcile the bank account balances to the general ledger balances used for financial reporting purposes.

Because the cash book balances were not reconciled to general ledger balances, financial information obtained from the general ledger throughout the year was inaccurate and may have impaired the ability of the Board and District personnel relying on this financial information to effectively monitor the District's financial position, as discussed in Finding No. 3. We extended our audit procedures and determined amounts reported on the financial statements for cash and cash equivalents were materially correct and properly classified. Without timely reconciliations of bank account balances to general ledger balances, there is an increased risk that errors or fraud could occur and not be promptly detected. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

Recommendation: The District should enhance its procedures to ensure that bank account reconciliations are timely completed.

Finding No. 3: Financial Condition

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriation by the Board, while the assigned and unassigned fund balance accounts are designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions represent the amount to be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires that the District maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's ending fund balance not classified as restricted, committed, or nonspendable (i.e., the total assigned and unassigned fund balances) in the District's approved operating budget as a percent of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the FDOE. Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency. Also, Section 218.503(3), Florida Statutes, provides for the FDOE to determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition.

During the 2013-14 fiscal year, the District experienced a decline in its financial condition as the General Fund total assigned and unassigned fund balance decreased by $473,345, or 61 percent, from $769,872 to $296,527. The decline may have been contributed to by the budgetary control deficiency noted in Finding No. 4. A summary of the General Fund financial condition ratios for the past three fiscal years is shown below:

Fiscal Year Ended June 30		Total Assigned and Unassigned Fund Balance (A)		Total General Fund Revenues (B)	Financial Condition Ratio (A)/(B)
2012	$	758,249	$	7,980,352	9.50%
2013		769,872		8,064,994	9.55%
2014		296,527		8,160,116	3.63%

As noted above, the financial condition ratio had declined to 3.63 percent at June 30, 2014. Also, the fund balance of the General Fund may be further reduced if the District is required to restore questioned costs totaling $62,004 as discussed in our Report Nos. 2013-154 and 2014-177, Federal Awards Finding Nos. 2 and 3, respectively, and Finding No. 8. In addition, the General Fund could be further negatively impacted as the FDOE notified the District in February 2015 to revert $406,290 to the FDOE as discussed in Finding No. 7. In these circumstances, the District has less resources available for emergencies and unforeseen situations than other school districts of comparable size.

Failure to reverse the decline of the District's financial condition could culminate in an inability on the part of the District to meet current fiscal obligations.

Recommendation: The Board and the Superintendent should closely monitor the District's budget and take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund.

Finding No. 4: Budgetary Controls

The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. Without properly monitoring and amending the budget to meet changing financial circumstances, there is an increased risk that expenditures may exceed available resources. Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized.

Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted by function if the Board approves the expenditure and amends the budget within timelines established by the policies. Pursuant to this statute, the Board adopted Board Policy 6.106, allowing expenditures to exceed the amount budgeted within a fund at the functional level, provided the Board subsequently approves such expenditures and amends the budget within 35 days of the date in which the District incurred the expenditures. Further, SBE Rule 6A-1.006(3), FAC, and Board policy prohibited Board approval of budget amendments after September 11, 2014, the due date of the 2013-14 fiscal year AFR.

Our review disclosed that the original budget was prepared and approved in accordance with applicable laws and rules; however, improvements were needed in budgetary controls and compliance, as follows:

- The General Fund's budgeted July 1, 2013, fund balance was $818,151, in the original budget adopted by the Board, although the Board-approved June 30, 2013, actual beginning balance as of July 1, 2013, was $1,184,121, or $362,970 more than the budgeted July 1, 2013, fund balance. In January 2015, after Board approval of the final budget amounts included in the AFR, the General Fund's budgeted July 1, 2013, fund balance was $0, although the actual beginning balance was $1,184,121. Using reasonable projections of beginning fund balance budget amounts may help the District in monitoring its activities.

- In August 2014, after Board approval of final budget amounts included in the AFR, the District had budgetary overexpenditures totaling $104,338 in four General Fund functional expenditure categories and one Special Revenue – Food Service Fund functional expenditure category overexpenditure of $49,839. Without sufficient budgetary monitoring controls, there is an increased risk for expenditures to exceed available resources.

The above-noted deficiencies in the District's budgetary procedures may have contributed to the current financial condition of the General Fund, as discussed in Finding No. 3. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

Recommendation: The District should enhance its budgetary process to ensure that budgeted beginning fund balances are reasonable and timely amended, and expenditures are limited to budgeted amounts as required by State law and rules, which may help the District in monitoring its resources and improving the financial condition of the General Fund.

ADDITIONAL MATTERS

Finding No. 5: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

As noted in our report No. 2014-177, the District prominently posted the 2013-14 fiscal year budgets on its Web site in February 2014. At the time of our review in October 2014, the District had not prominently posted on its Web site its proposed, tentative, and official 2014-15 fiscal year budgets. Subsequent to our inquiry in October 2014, the District posted a link to the proposed, tentative, and official 2014-15 fiscal year budgets. Providing for the required budgetary transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should continue its efforts to ensure that proposed, tentative, and final official budgets are timely and prominently posted on its Web site.

Finding No. 6: Journal Entries

The fiscal specialist and the CFO were responsible for recording journal entries to adjust the account balances and transactions in the accounting records, and the CFO was responsible for review and approval of the journal entries prepared by the fiscal specialist. Our test of 30 journal entries for the 2013-14 fiscal year disclosed the purpose was documented for 29 of the entries; however, District records did not document the purpose for the remaining entry tested or independent review and approval of 19 of the journal entries tested.

We determined that the one undocumented entry was primarily to move expenditures between funds, and did not result in any errors or fraud; however, our procedures cannot substitute for management's responsibility to implement adequate controls over journal entries. Absent such controls over the journal entry process, there is an increased risk that errors or fraud could occur without timely detection. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

Recommendation: The District should enhance its procedures to ensure that journal entries are appropriately documented, and independently reviewed and approved.

Finding No. 7: State Capital Outlay Appropriations

The State allocates Public Education Capital Outlay (PECO) and other capital outlay appropriations to the District on an annual basis. The District's annual allocations consist of specific State-defined project categories and appropriation amounts, each of which has its own restrictions governing use. To monitor and account for these appropriations, the FDOE maintains the Office of Education Facilities – 442 reporting system for Districts to identify and report capital outlay appropriations and related uses. Section 216.301(2), Florida Statutes, provides that the unexpended balance of any appropriation for fixed capital outlay for an educational facility that is not contracted, or committed to be expended, prior to February 1 of the third fiscal year, shall revert on February 1 of such year to the fund from which it was appropriated. Consequently, the 2007-08, 2008-09, 2009-10, and 2010-11 fiscal year capital outlay appropriation for educational facilities were subject to reversion February 1, 2010, February 1, 2011, February 1, 2012, and February 1, 2013, respectively, if the Board had not approved a contract, received bids, issued notices of intent to award a contract, or issued a purchase order to accomplish the work with in-house staff.

In our report Nos. 2013-154 and 2014-177, we noted $274,000 in unencumbered cash related to the 2007-08 and 2008-09 fiscal year PECO appropriations that, at June 30, 2012, was on hand and not committed under terms of a binding contract or otherwise committed to be expended. In addition, we noted $143,031 in unencumbered cash related to the 2008-09, 2009-10, and 2010-11 fiscal years Classrooms First capital outlay appropriations that, at June 30, 2013, was on hand and not committed under terms of a binding contract or otherwise committed to be expended. The unspent and unreverted resources occurred, in part, because District records did not separately account for specific PECO appropriations and certain State capital outlay resources. Without such authority, these expenditures, totaling $417,031, represented questioned costs subject to reversion.

During the 2013-14 fiscal year, the District entered into construction contracts and fully expended proceeds from these appropriations. In February 2015, the FDOE notified the District that, based on documentation reviewed, $10,741 of Classrooms First funds were timely encumbered and not subject to reversion, but that the District must revert untimely encumbered amounts totaling $406,290 to the FDOE. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

Recommendation: The District should revert the $406,290 to the FDOE.

Finding No. 8: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay related purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects and purchases of new and replacement equipment. Among the specific conditions imposed by Section 200.065(10)(a), Florida Statutes, are requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each such tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes. Further, Section 200.065(10)(b), Florida Statutes, establishes requirements for amending a list of capital outlay projects previously advertised and adopted. The District separately accounts for each fiscal year's ad valorem tax levy within the Capital Projects – Local Capital Improvement (LCI) Fund.

During the 2012-13 and 2013-14 fiscal years, the District advertised for expenditures of ad valorem tax levy proceeds for certain purposes such as repairs and replacement of motors for motor vehicles, installment payments on five school buses purchased during the 2011-12 fiscal year, and the replacement of parts and safety equipment for school buses. During the 2013-14 fiscal year, the District had LCI Fund expenditures from the 2012-13 and 2013-14 fiscal year tax levies of $950,291. While our tests disclosed that ad valorem tax proceeds were generally used as required, we noted that certain expenditures were for purposes that had not been advertised, contrary to Sections 1011.71 and 200.065(10)(a), Florida Statutes, including purchases totaling $44,255 for a van and truck for use throughout the District. In the absence of the required advertisement of the proposed uses of funds totaling $44,255, these expenditures represent questioned costs. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

Recommendation: The District should enhance its procedures to ensure that ad valorem tax levy proceeds are properly advertised and expended only for authorized purposes. In addition, the District should document to the FDOE the allowability of the $44,255 of questioned costs or restore this amount to the LCI Fund.

Finding No. 9: Capital Assets

Chapter 274, Florida Statutes, and Florida Department of Financial Services Rule 69I-73, FAC, require that the District maintain adequate records of tangible personal property (i.e., furniture, fixtures, and equipment and motor vehicles) in its custody and that the property be inventoried annually, compared to the property records, and all discrepancies reconciled. Any property items found during the inventory must be included in the inventory records, and items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. In addition, based on the results of the investigation, the District is required to file a report with the appropriate law enforcement agency if items are not located.

The District reported capital assets with costs of approximately $31.2 million, net of accumulated depreciation, at June 30, 2014. Our review disclosed that controls over capital assets could be improved as follows:

- To determine balances reported for these assets, District personnel reviewed the subsidiary records and made corrections as needed to the capital asset and related accumulated depreciation accounts and, while District personnel acknowledged there were errors in the subsidiary records, the general ledger was adjusted to agree to the subsidiary records as the most complete detail record of District assets. While this procedure may fairly present balances in the District's financial reports, it is not a substitute for establishing and maintaining an adequate record system to account for the District's individual capital assets.
- While District records evidenced that District personnel performed a physical tangible personal property inventory for the 2013-14 fiscal year at most locations, no physical inventory was conducted for Jefferson County Middle/High School property items with original costs of $1.4 million.

Without appropriately maintained capital asset subsidiary records and properly performed tangible personal property inventory procedures, the District's ability to properly account for these assets is limited. A similar finding was noted in our report No. 2014-177.

Recommendation: The District should improve procedures to ensure the adequacy and accuracy of capital asset subsidiary records and ensure that physical inventories of tangible personal property are performed at all locations and reconciled to the subsidiary property records.

Finding No. 10: 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, given the small size of the District, the Fiscal Specialist was generally aware of related parties and reviewed new vendors to assess whether conflicts of interest could occur prior to entering into procurement transactions or contractual relationships.

The Superintendent, Board members, and the CFO were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. While statements of financial interests were filed as required, these statements were not provided to personnel responsible for procurement decisions for review. Subsequent to our inquiry in February 2015, Finance Department personnel reviewed the most recent statements of financial interests of the Superintendent and Board members and noted no apparent conflicts of interest.

Providing for routine review and consideration of 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 interest by personnel responsible for making procurement decisions.

Follow-up to Management's Response:

The District indicates in its response that it does not concur with this finding as District personnel are not required to receive statements of financial interests. However, the point of our finding is that providing for District review and consideration of required statements of financial interests would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Finding No. 11: 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. FDOE procedures also provided that school districts report a student for funding only for the number of hours that a person reasonably could be expected to be in actual attendance.

For the 2013-14 fiscal year, the District reported to the FDOE 4,332 instructional contact hours for 31 students enrolled in 151 adult general education classes. We randomly selected a representative sample of 1,598 hours reported for 10 students enrolled in 46 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed 1,264 hours were over-reported for 9 students enrolled in 42 classes. District personnel used manual sign-in sheets to input student attendance into the student attendance system; however, we noted errors in the sign-in sheets and the student attendance system records. Errors included sign-in sheets that were not completed as to the total classes attended each day. In addition, the student attendance system did not document attendance by class and did not always agree with the manual sign-in sheets. Given the number of errors, the full extent of the class hours over-reported 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. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

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 over-reported and contact the FDOE for proper resolution.

Finding No. 12: Workforce Development

Pursuant to Section 1011.80, Florida Statutes, the District receives funding for workforce education programs and is required to use the money to benefit the programs it provides. During the 2013-14 fiscal year, the District's workforce education program revenues totaled $103,206. These revenues, when combined with $191,740 of unspent workforce education revenues from prior fiscal years, made available $294,946 for workforce education program expenditures for the 2013-14 fiscal year.

Workforce education program expenditures and encumbrances totaled $115,473, or 39 percent by the end of the 2013-14 fiscal year, and the unencumbered balance carried forward into the 2014-15 fiscal year was $179,473. Further, District records indicated that workforce education revenues have exceeded expenditures for two of the last three fiscal years, with an average accumulation of $50,000 per year and the Board had not, of record, adopted a formal plan establishing the goals and priorities for the use of the accumulated workforce development funds. Although the workforce education funds are restricted for adult education purposes and not subject to reversion, carrying forward large balances of such funds into subsequent years does not appear to be consistent with legislative intent for annually funding the adult education program and does not appear to benefit the persons and programs for which the funds were generated. A similar finding was noted in our report No. 2014-177.

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

Finding No. 13: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned job responsibilities. For example, access privileges should typically be configured to enforce a separation of IT and application end-user duties whereby only the responsible end users can originate or correct transactions and initiate changes to data files and IT employees are restricted from performing end-user functions. Periodic reviews of IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their job responsibilities and that assigned privileges enforce an appropriate separation of incompatible responsibilities.

We reviewed access privileges to the finance and human resources (HR) applications and identified employees who had inappropriate and unnecessary access privileges. Specifically, we noted that two Finance Department employees had the ability to add or update vendor information, purchase orders, and invoice information within the finance application, and the Payroll Specialist and an accounting clerk had the ability to add employment contracts to established employees, change employee rates of pay, and enter termination information within the HR application. District personnel indicated that, due to the District's limited staff size, these access privileges were necessary in addition to those assigned for the employees' current job responsibilities to ensure continued critical operations in the event key personnel having primary responsibility for the transactions described above were unavailable.

Although the District had certain controls (i.e., CFO regularly monitored expenditures and reported financial information to the Board on a monthly basis) to compensate, in part, for these deficiencies, the existence of these inappropriate and unnecessary access privileges indicated a need for a review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. A similar finding was noted in our report No. 2014-177.

Recommendation: The District should develop procedures for the periodic review of access privileges and remove inappropriate or unnecessary access privileges detected.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 2014-001:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants Recovery Act (CFDA No. 84.395-ARRA)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Reporting. Expenditures of grant funds are reported through FDOE's On-line Disbursement Reporting Application in accordance with reporting and administrative requirements set forth in the FDOE publication titled, *Project Application and Amendment Procedures for Federal and State Programs*. Section C of this publication provides instructions for requesting advances of Federal cash, reporting expenditures of grant funds, and preparing and submitting Cash Advance and Reporting of Disbursements System (CARDS) Reconciliation, a report used to reconcile the Federal cash balance shown on the FDOE's CARDS Report to the District's accounting records. When a grant is closed, the total expenditures for that grant are recorded on FDOE's form FA-399 – *Project Summary and Disbursement Report*, which is to be signed by the Finance Officer or authorized representative, dated, and submitted to the FDOE. The FDOE required that the District complete a reconciliation of all cash advances and disbursements for the 2013-14 fiscal year and submit the reconciliation to the FDOE by November 1, 2014.

Although the District timely prepared and filed the CARDS Reconciliation with FDOE, the amount of Federal cash on hand reported by the District at June 30, 2014, was approximately $136,000 more than the Federal cash on-hand according to the District's accounting records, due primarily to the underreporting of expenditures in transit. The failure to properly reconcile FDOE cash advance balances and program expenditures to amounts per the District records limits the District's ability to timely detect and correct errors in its accounting records or Federal financial reports. Similar findings were noted in our report Nos. 2013-154 and 2014-177.

Recommendation: The District should develop controls to improve its monitoring and reporting of Federal cash balances and program expenditures to ensure that amounts reported to the FDOE agree with or reconcile to the District's accounting records.

District Contact Person and Title: Robert Lloyd, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-177 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. 2014-177, Finding No. 1	Audit Report No. 2013-154, Finding No. 1
2	Audit Report No. 2014-177, Finding No. 2	Audit Report No. 2013-154, Finding No. 2
4	Audit Report No. 2014-177, Finding No. 3	Audit Report No. 2013-154, Finding No. 4
5	Audit Report No. 2014-177, Finding No. 4	NA
6	Audit Report No. 2014-177, Finding No. 8	Audit Report No. 2013-154, Finding No. 3
7	Audit Report No. 2014-177, Finding No. 6	Audit Report No. 2013-154, Finding No. 5
8	Audit Report No. 2014-177, Finding No. 7	Audit Report No. 2013-154, Finding No. 6
9	Audit Report No. 2014-177, Finding No. 5	NA
11	Audit Report No. 2014-177, Finding No. 12	Audit Report No. 2013-154, Finding No. 8
12	Audit Report No. 2014-177, Finding No. 11	NA
13	Audit Report No. 2014-177, Finding No. 13	NA
Federal Awards Finding No. 2014-001	Audit Report No. 2014-177, Federal Awards Finding No. 1	Audit Report No. 2013-154, Federal Awards Finding No. 1

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

JEFFERSON 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
2011-154 (3) 2012-168 (6) 2013-154 (1) 2014-17 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397); State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Education Jobs Fund (CFDA No. 84.410) - Reporting	Controls over monitoring of and reporting of Federal cash balances and expenditures could be enhanced to ensure that amounts reported to the Florida Department of Education are timely reconciled to the District's accounting records.	Not Corrected.	A similar finding is reported in the 2013-14 fiscal year.
2012-168 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Special Tests and Provisions - Highly Qualified Teachers	District procedures did not ensure that all teachers hired to teach core academic subjects in Title I schoolwide schools were highly qualified, resulting in $76,587 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (2)	Special Education – Grants to States (CFDA No. 84.027) and Special Education – Grants to States, Recovery Act (CFDA No. 84.391) - Matching, Level of Effort, and Earmarking - Coordinated Early Intervention Services	The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in $67,780 of questioned costs.	Partially Corrected.	The District is no longer required to use this earmark on CEIS activities; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles	District records did not evidence that District personnel verified that certain contracted services were provided to program eligible students before payments were made, resulting in $56,606 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2012-168 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking – Maintenance of Effort	District records did not evidence that the District met the maintenance of effort requirement for the Title I program.	Corrected.	
2013-154 (2)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the District met the maintenance of effort requirement for the Special Education program, resulting in $10,370 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2014-177 (2)	School Improvement Grants, Recovery Act (CFDA No. 84.388) and State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) - Reporting	District procedures for reporting School Improvement and Race-to-the-Top program expenditures needed improvement.	Corrected.	
2014-177 (3)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Eligibility	The District did not properly allocate Title I schoolwide program resources to schools, resulting in $7,379 of questioned costs.	Partially Corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.

EXHIBIT A
MANAGEMENT'S RESPONSE

AL COOKSEY
Superintendent of Schools
Phone: 850-342-0100
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Jefferson County School Board

575 South Water Street
MONTICELLO, FLORIDA 32344

March 25, 2015

Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

To Whom It May Concern,

Please find enclosed the Jefferson County School District's audit responses for the year ending June 30, 2014.

Please feel free to contact our offices if you have any remaining needs which our staff may provide, or any further questions and/or concerns regarding the audit.

Respectfully,

Al Cooksey

Al Cooksey
Superintendent of Schools

AC/dl

Enclosure: Audit Responses

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND RECOMMENDATIONS
JEFFERSON COUNTY SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Finding No. 1 Financial Reporting

We concur with bullet #2 about timely reconciling of the District's ledger. In general, there have been many attempts to correct our ledgers. We moved from the opening balance position supplied from your audit of the 2012-13 fiscal year accounts, applied the incomes and expenditures as reported on the AFR, and arrived at closing balances. This was then used as the basis of the due to and from transfers.

Finding No. 2 Bank Reconciliations

We reduced the number of active bank accounts from 10 to 5. In addition we changed the appearance of our checks and the method of printing and sealing our checks. Previously, we had to line up our roll of checks to the printer before a check could be printed. In doing so wasted up to seven blank checks on each run. It was therefore easier, if a small number of checks were needed, to hand write checks rather than print them. Each check is ready for the mail once it leaves the folding machine. This eliminates the need for any hand written checks.

Both of these changes will enable the District to use modern technology to assist in reconciling its bank accounts to the ledgers.

The reason why the cash book had not been reconciled to the general ledger in January 2015 was because we were waiting to agree on a balance that could be posted to the Ledgers. As can be seen from our comments, we are still a ways away from doing this, but are moving forward.

Finding No. 3 Financial Condition

The reason our balances declined is because we overspent our staffing budgets based on a reduction of almost 60 FTE and an unfunded mandate passed by the Board increasing its Health Care subsidy from 50 percent of cost for employees to 75 percent of cost beginning January 2014. In an attempt to restore the District's financial condition ratio by June 30, 2015, the following steps are being taken: an immediate hiring freeze, reducing salaries for all employees, a review of the funding source for all salaries and expenditures, suspending General Fund purchases where possible, eliminating various instructional and school administrator positions, reducing Board paid life insurance, reducing energy costs where possible, and consolidating bus routes.

In addition, if the District is required to repay State capital outlay appropriations as noted in Finding No. 7, the District proposes restoring these funds using local capital outlay tax revenues.

Finding No. 4 Budgetary Controls

The District's budget was adopted and expenditures monitored and presented to the Board on a monthly basis and approved by the Board. The District's budget reforms will focus on steps necessary to restore the District's financial condition during the 2014-15 fiscal year.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 5 Budgetary Transparency

Immediately after the auditor brought this to our attention, the 2014-15 fiscal year budgets were posted on our Web site and in the agenda for the September 2014 board meeting. It was posted a second time in the minutes of that meeting and again on our Web site. A copy of the 2014-15 fiscal year budgets was also posted in our reception area at the District office. The 2014-15 fiscal year budgets were available and timely.

However this finding is about someone's subjective view about what is "prominent."

Finding No. 6 Journal Entries

The District concurs with the finding. The CFO inspected every journal entry filed by the Financial Specialist for the 2013-14 fiscal year through to the end of June 2014. He then failed to monitor some of the adjustments he asked to be entered into the ledgers.

This will be corrected in the 2014-15 fiscal year.

Finding No. 7 State Capital Outlay

The District is currently working with the Florida Department of Education (FDOE) to resolve this finding. After researching the finding, the District believes capital outlay appropriations totaling $406,290 are not subject to reversion to FDOE. I have set out the District's reasoning below:

At the beginning of the fiscal year 2007-08 and onwards the District was awarded the following funds:

Allocations	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
OEF Construction	$66,943	$29,626					
PECO Maintenance	281,105	155,510	$ 57,271	$109,232			
Classroom for Kids	180,564						
Classrooms First	70,741		70,741	70,741	70,741	70,741	70,741

The District reported expenditures against the above allocations as follows:

Expenditures	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
OEF Construction	$66,943			$29,626			
PECO Maintenance	281,105	155,510		157,465			
Classroom for Kids				180,564			
Classrooms First				81,959			

Reversion of funds starts 31 months after the allocation. Thus the first year of reversion was the 2009-10 fiscal year (February 2010) for 2007-08 fiscal year allocations. During the 2009-10 fiscal year, the FDOE was operating financial oversight of the District and directing all purchase orders and spending.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Prior to the start of the 2007-08 fiscal year the District had received a report from the Facilities Section of the FDOE that they were to vacate students from 2 buildings as they were not fit for the purpose of education.

A "Castaldi" report was issued by the FDOE on April 6, 2007 showing that buildings I and 2 should not house children due to air quality issues resulting from roof leaks and poor mechanical systems. The District could not afford to build new facilities for these students so they went and purchased, under a lease agreement through Sun Trust, 8 new portable classrooms. The agreement was made up of three agreements; one for a five year term and two over a six year term. The annual cost of the leases was $157,538.14 from the 2007-08 through 2010-11 fiscal years and falling to $122,614.18 in the 2011-12 fiscal year and $43,845.11 in 2012-13 fiscal year.

In addition the District entered into an additional lease purchase agreement with Sun Trust Bank in relation to the safety of their school. The District installed security monitoring systems into all of its buildings in use at that time. This lease was over a five year period commencing in July 2007 and ending in January 2012. The total annual payments under this lease were $67,771.00, all of which could have been chargeable to PECO maintenance and subsequently Classrooms First if the District had intimated to FDOE that it was no longer growing and wished to use these funds for general PECO maintenance.

Lease Payments	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Modular Classrooms	$78,769	$157,538	$157,538	$157,538	$157,538	$122,614	$43,845
Security System		67,771	67,771	67,771	67,771	67,771	
Total	$78,769	$225,309	$225,309	$225,309	$225,309	$190,385	$43,845

The payments made under these leases qualified for PECO Construction and Repairs funding, Classrooms for Kids funding and Classrooms First funding. However the District mistakenly reported the funding of these leases from Local Capital Outlay. If the appropriate funds had been used there would be no reversion of monies due. (see table below)

Expenditures	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
OEF Construction	$66,943			$29,626		
PECO Maintenance	281,105	$155,510				
Classroom for Kids	154,558					
Classrooms First	70,751		$70,751	70,751	70,751	43,845
Local Capital Outlay Funding	$-225,309	$-25,054	$-70,751	$349,247	$-70,751	$-43,845

Finding No. 8 Ad Valorem Taxation

The appropriate notices were filed in the local newspaper on July 31, 2013 in line with our approved trim calendar. The notice set out in general our intentions of how we would spend the proceeds of our 1.5 mill Ad Valorem taxes but excluded the term, "motor" vehicles. In addition, we advertised a Board package which included a detailed breakdown of our proposed capital expenditures by project in line with our advertisement. The capital expenditure item was discussed in detail at the Board meeting, voted on, and approved at that meeting.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 9 Capital Assets

The District completed the physical inventory counts at all locations in February 2015. A physical inventory was not returned from the Jefferson County Middle/High School for the 2013-14 fiscal year. However, to look at the original cost of these items is not an accurate representation as many of these items were almost at the end of the estimated useful life schedule. The net asset value and the end of the year for Furniture Fixtures and Equipment, Software and Audio Visual at the Middle High School was $117,640.83 which is significantly different from the original cost value of $1.4 million included in your finding. It also represents approximately one sixth of the District's total net assets under those headings.

Finding No. 10 Purchasing Procedures

The District does not concur with this finding. Florida Statute requires that Board members and the Superintendent file statements of financial interests with the State Department. In addition, both Board members and the Superintendent are required to swear an oath relating to the duties of their office.

If District staff were required to receive such statements, a provision would be made in the Statute 112.3145. No such provision exists.

The oath undertaken requires that both members and Superintendent openly declare such interests prior to the discussion on such items and recuse themselves from any debate and voting.

Again, Florida Statute would provide for this if it was to be included in the duties of the CFO. It does not.

Finding No. 11 Adult Education Classes

The District has strengthened its controls for reporting contact hours to FDOE.

A new manual was produced at the beginning of the 2014-15 school year that instructed staff how to enroll students, the amount of fees that are due and how to enter the student data into FOCUS, our student data software package.

The manual also instructs teachers on their attendance sheets and how to enter attendance into FOCUS.

Thus, moving forward, our records should accurately reflect student attendance and instructional contact hours for FDOE. We have also contacted FDOE and resolved the errors identified with them.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 12 Workforce Development Grant

The District concurs with the finding. A plan has been formulated for the expenditure of all Workforce Development Funds which encompasses changing radically the offerings given to the public on adult education.

For the 2014-15 fiscal year, the District lost its Federal funding of its Adult Education program. We have continued the program and have agreed with FDOE that this can be met from Workforce Development funding.

In addition, GED testing has moved to computerized testing and investments have been made in new computers in a lab setting to comply with these changes. Again, the funding of the expenditures was discussed with FDOE.

Further, the District is planning to increase its offerings to enable adults to become work ready by offering assistance with writing resumes, teaching interview techniques, and providing more assistance to its local Hispanic population.

We perceive that over the next two years we will eliminate, or reduce to a minimum, any balances carried for Workforce Development.

Finding No.13 Information Technology – Access Privileges

The District concurs with the finding. The District is one of the smallest in the State and, because of the numbers of staff, many have duplicate rolls to fulfill. Wherever possible, the District has tried to maintain full internal controls over duties. However there was a breakdown due to trying to anticipate emergencies without a break in services provided.

These rights have since been revoked and will only be used in exceptional circumstances.

Federal Awards Findings

Reporting

The District concurs with the finding and will make the appropriate corrections at June 30, 2015.